

# 2021 Budget in Brief



Port of Seattle®



# A Message from Port Leadership

Dear Community Members,

We are pleased to present the Port of Seattle's 2021 Budget in Brief and five-year Capital Improvement Plan. By supporting over 121,000 jobs and \$38 billion in business revenue, the Port is an economic engine that is key to keeping our economy running.

While the COVID-19 pandemic has caused significant disruption across our economy and society, the Port of Seattle, in collaboration with our business and community partners, is uniquely positioned to help our region build back better. The 2021 budget reflects our determination to leverage our investments in aviation, maritime commerce, fishing, trade, and travel to expand opportunities across the economy for an equitable recovery.

Central to our efforts is building on our strategies to advance innovation, protect the environment, and promote equity, diversity, and inclusion so that the economic investments we make are broadly felt in all the work we do. But we need to do well in order to do good.

The economic downturn caused by COVID-19 resulted in severe declines in trade, travel, and tourism - the lifeblood of the Port. Specifically, the pandemic resulted in the loss of the entire 2020 cruise season and a 61% decline in air travel that severed business activity and connections that took decades to develop.

Given the uncertainty about the pace of regional economic recovery impacting our key businesses, we have budgeted conservatively and are prepared to adjust our plan accordingly. As a result, we reprioritized some capital investments, such as postponing construction of a new cruise ship terminal and cut operating expenses by 10 percent, equaling \$47.1 million. We reduced other non-essential expenditures to create further financial flexibility.

As a result of the Port's well-established fiscal stewardship, we have been able to provide some short-term relief for our tenants and expand economic stimulus grants and internships to disproportionately impacted communities along the Duwamish River Valley and South King County. We continue budgeting for our five-year Capital Improvement Plan of \$3.7 billion and look forward to the completion of major projects such as the International Arrivals Facility, which will create many new job opportunities when they open this year.

Early on in the pandemic, we recognized that protecting the health and safety of Port workers, business partners, and the public was our top priority and key to recovery. We incurred additional expenses to ensure that the construction of our critical infrastructure could continue safely while maintaining operations of essential services throughout our gateway.

A prime example of these efforts is the continued investment in our maritime infrastructure to service the largest container ships, such as Terminal 5 located near West Seattle. Formed five years ago, The Northwest Seaport Alliance, a marine cargo operating partnership between the Ports of Seattle and Tacoma, has made our gateway more competitive despite the pandemic. By sharing in the expenses and revenues of these developments, we have been able to capitalize on the increasing demand for e-commerce and draw business away from other ports on the west coast that have experienced congestion in their gateways.

As the impacts of the COVID-19 pandemic continue, the Port's mission is more important than ever. However, it is clear there is more than one pandemic. In addition to the health emergency, we are experiencing the pandemics of economic, social, and environmental inequities.

Our 2021 budget reflects that the public's well-being is our bottom line. We welcome your engagement so that we can establish partnerships to create a more inclusive, resilient, and sustainable economy.

Thank you.



Fred Felleman  
*Commission President*



Stephanie Bowman  
*Commissioner*



Ryan Calkins  
*Commissioner*



Sam Cho  
*Commissioner*



Peter Steinbrueck  
*Commissioner*



Stephen P. Metruck  
*Executive Director*

# About the Port



## Brief History

Founded in 1911, the Port is a public agency providing airport operations and maritime services for the Puget Sound region. Five publicly elected commissioners who serve four year terms establish Port policy and the Executive Director, in carrying out these policies, leads over 2,000 employees. As one of the largest land holders in King County, the Port owns Seattle-Tacoma International Airport (SEA), piers for workboats and cruise ships, marinas, conference facilities, parks and public access areas, office space, and more.

## OUR MISSION

The Port of Seattle's mission is to promote economic opportunities and quality of life in the region by advancing trade, travel, commerce, and job creation in an equitable, accountable, and environmentally responsible manner.

## OUR VISION

Over the next 25 years we will add 100,000 jobs through economic growth led by the Port of Seattle, for a total of 300,000 port-related jobs in the region, while reducing our environmental footprint.

## OUR COMMITMENT

We are committed to creating opportunity for all, stewarding our environmental responsibly, partnering with surrounding communities, promoting social responsibility, conducting ourselves transparently, and holding ourselves accountable.

## Century Agenda

The Century Agenda provides enduring goals that are the cornerstone of the Port's long-term strategic planning.

- 1 Position the Puget Sound region as a premier international logistics hub
- 2 Advance this region as a leading tourism destination and business gateway
- 3 Responsibly Invest in the economic growth of the region and all its communities
- 4 Be the greenest and most energy-efficient port in North America
- 5 Become a model for equity, diversity, and inclusion
- 6 Be a highly effective public agency

# 2020 Review and Highlights



## OUR BUSINESSES

- Seattle-Tacoma International Airport (SEA) experienced a 61 percent drop of airport passenger traffic in 2020 due to the COVID pandemic
- Adjusted to the cancelled Alaska 2020 cruise season, which resulted in significant drop in Non-Airport revenue
- Made significant progress on the International Arrivals Facility and Phase II of North Satellite Renovation
- Introduced the Port-wide Equity, Diversity, and Inclusion program
- Established a new Task Force to conduct a comprehensive assessment of the Port of Seattle Police Department to ensure alignment with the highest national standards and best practices related to policing and civil rights
- Authorized another two years of funding for Washington Maritime Blue which will help advance innovation in the maritime industries

## OUR COMMUNITY

- Launched the first grant cycle of the South King County Fund to mitigate the impacts of the pandemic on the community and support regional recovery
- Added resources for Duwamish Valley Community Equity Program
- Added \$1.5M for a Youth Opportunity Initiative to provide funding to support 200 youth employments
- Added \$1.5M to support Tourism opportunities for the region and state when needed
- Completed a project to rename six existing Port parks and habitat restoration sites with culturally and ecologically significant names through a community-led process that engaged more than 12,000 people

## OUR ENVIRONMENT

- Awarded the sixth and final round of the Airport Community Ecology (ACE) Fund to support environmental projects in communities near the airport
- Began the construction to build a new habitat restoration and shoreline access project site at the old Terminal 117, the most significant habitat restoration project to occur in the Duwamish in the last decade
- Presented Environmental Excellence Awards and Fly Quiet Awards to 12 commercial and non-profit partners for their key initiatives that help the Port achieve its environmental goals
- Approved the interlocal agreement to restore a segment of Miller Creek in Burien and SeaTac
- Received the 2020 Environmental Stewardship Award from the Washington Public Ports Association for ongoing projects to reduce underwater noise for South Resident orcas

# The Port's Economic Impact



## 2021 Community Program Highlights



- Implement Diversity in Contracting
- Women and Minority Business Enterprise (WMBE)
- Advance equity, diversity, and inclusion



- Continue Economic Development Partnership grants
- Implement Tourism Marketing Support Program
- Continue the Local Community Advertising Program



- Continue Internship Program and expand Career Connected Learning
- Advance Maritime Secondary Education
- Continue Youth-Maritime Initiative and Career Advancement Center



- Continue Airport Community Ecology (ACE) fund
- Implement the South King County Fund (SKCF)
- Advance Duwamish Valley Community Equity Program (DVCEP)
- Implement Low Carbon Fuel Policy

# 2021 Portwide Budget Summary



The 2021 budget advances Port of Seattle and community priorities by enhancing customer service, making travel and trade related services safe and more efficient, expanding economic opportunity across the region, and benefiting community and environmental health.

Revenues (\$ in 000's)	2021 Budget	%
1. Operating Revenues	680,861	68.9%
2. Tax Levy	78,676	8.0%
3. Passenger Facilities Charges	67,990	6.9%
4. Customer Facilities Charges	24,168	2.4%
5. Fuel Hydrant	7,022	0.7%
6. Non-Capital Grants and Donations	40,908	4.1%
7. Capital Contributions	74,911	7.6%
8. Interest Income	13,158	1.3%
<b>Total</b>	<b>987,694</b>	<b>100%</b>



Expenses (\$ in 000's)	2021 Budget	%
1. Operating Expenses	423,412	53.4%
2. Depreciation	176,509	22.3%
3. Revenue Bond Interest Expense	155,990	19.7%
4. GO Bond Interest Expense	11,268	1.4%
5. PFC Bond Interest Expense	2,539	0.3%
6. Non-Op Environmental Expense	10,200	1.3%
7. Public Expense	10,144	1.3%
8. Other Non-Op Rev/Expenses	2,413	0.3%
<b>Total</b>	<b>792,475</b>	<b>100%</b>

## 2021 Operating Budget Summary

- Total operating revenues: **\$680.9 million; \$130.8 million** or **16.1 percent** below the 2020 budget
- Total operating expenses: **\$423.4 million; \$46.4 million** or **9.9 percent** under the 2020 budget
- Net operating income before depreciation: **\$257.4 million; \$84.4 million** or **24.7 percent** below the 2020 budget

### The 2021 operating budget also includes:

- **\$14.1 million** in expenditures for environmental stewardship
- **\$11.4 million** in expenditures on 16 community programs
- **\$4.9 million** to improve customer service at SEA
- **\$2.5 million** to promote and support statewide tourism initiatives



# Aviation Division

## About the Division

- SEA is the eighth busiest airport in the U.S.
- Served 51.8 million passengers and 453,549 metric tons of air cargo in 2019
- Thirty airlines serve 91 non-stop domestic and 27 international destinations

## Community Benefits

- Generated 151,400 jobs, including 87,300 direct jobs
- Over \$3.6 billion in direct earnings
- Over \$22.5 billion in business revenues
- Over \$415 million in state taxes reflecting direct and secondary activities

## Budget Overview

- Operating Revenues: \$576.2 million
- Operating Expenses: \$339.9 million
- 2021 Capital Spending: \$464.2 million
- Five-Year Capital Spending: \$3.3 billion



## 2021 Major Budget Initiatives

- Implement FlyHealthy@SEA strategies
- Open the International Arrivals Facility
- Open Phase 2 of North Satellite Renovation
- Reduce the airport's carbon footprint through purchase of renewable natural gas
- Complete the Sustainable Airport Master Plan (SAMP) environmental review
- Complete the Utility Master Plan
- Continue planning and early project planning in anticipation of the SAMP completion
- Continue planning to upgrade and/or reconfigure areas within the Main Terminal
- Continue to focus resources to address pest management issues
- Implement a consolidated service contract for checkpoint queue management, international arrivals support, and ground transportation support services
- Continue with development of a programmatic approach to managing airport assets
- Accelerate the noise insulation program



## Aviation Revenue

Operating Revenues (\$ in 000's)	2021 Budget	%
Aeronautical Revenues	386,668	67.1%
Public Parking	59,597	10.3%
Rental Cars - Operations	24,379	4.2%
Rental Cars - Operating CFC	2,501	0.4%
Airport Dining & Retailers & Terminal Leased Space	51,184	8.9%
Ground Transportation	13,628	2.4%
Employee Parking	9,688	1.7%
Airport Commercial Properties	13,713	2.4%
Airport Utilities	7,568	1.3%
Clubs and Lounges	6,221	1.1%
Other Revenues	1,069	0.2%
<b>Total</b>	<b>576,215</b>	<b>100.0%</b>



The airport has facilities for commercial passengers, air cargo, general aviation, and aircraft maintenance on a site of approximately 2,800 acres. Major airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility.

# Maritime Division

## About the Division

- Operates two cruise ship terminals that served over 1.1 million cruise passengers in 2019
- Manages Fisherman's Terminal which is the home of the North Pacific Fishing Fleet
- Operates one grain terminal, a public cargo terminal, and four public marinas

## Community Benefits

- Each cruise homeport call generates \$4.2 million in business revenues for the region
- Port-related fishing activity generated 11,300 jobs and 1.4 billion in business revenues
- Other business (includes industrial and non-industrial) activities generated 8,400 jobs and \$1.6 billion in business revenues

## Budget Overview

- Operating Revenues: \$45.3 million
- Operating Expenses: \$50.2 million
- 2021 Capital Spending: \$26.4 million
- Five-Year Capital Spending: \$238.3 million



## 2021 Major Budget Initiatives

- Advance Port-provided compensatory mitigation and Natural Resource Damage (NRD) credits
- Deliver operational excellence on safe and compliant operations and maintain port assets
- Develop staff capabilities, bench strength, and opportunities



## Maritime Revenue

Operating Revenues (\$ in 000's)	2021 Budget	%
Recreational Boating	12,915	28.5%
Maritime Portfolio Management	10,259	22.7%
Fishing & Operations	8,644	19.1%
Cruise	8,558	18.9%
Grain	4,903	10.8%
Parks	-	0.0%
<b>Total</b>	<b>45,280</b>	<b>100.0%</b>



The Maritime Division includes these business groups: Cruise Operations, Recreational Boating, Fishing and Operations, a Grain Terminal, and about half of the Seaport Real Estate portfolio. Additionally, the division includes service groups such as Maritime Marketing, Security, Marine Maintenance, Maritime Environmental, Seaport Finance, and Seaport Project Management.

# Economic Development Division

## About the Division

- Manages and develops real estate portfolio and projects
- Supports and develops Small and Women and Minority-owned Business Enterprises
- Promotes tourism and economic development for the region and state

## Community Benefits

- Provides Economic Development Partnership Grants to communities throughout the state
- Supports Small and Women and Minority-owned Business Enterprises for the region
- Promotes tourism and economic development for the region and state

## Budget Overview

- Operating Revenues: \$13.3 million
- Operating Expenses: \$21.4 million
- 2021 Capital Spending: \$5.9 million
- Five-Year Capital Spending: \$74.1 million



## 2021 Major Budget Initiatives

- Help Port small business tenants and partners recover from COVID pandemic related challenges
- Advance the Maritime Innovation Center at Fishermen’s Terminal



## Economic Development Revenue

Operating Revenues (\$ in 000's)	2020 Budget	%
Central Harbor Management	8,278	62.0%
Conference & Event Centers	5,035	37.7%
Foreign Trade Zone	35	0.3%
<b>Total</b>	<b>13,348</b>	<b>100.0%</b>



The Economic Development Division is comprised of five business and service groups: Real Estate Development and Planning, Portfolio and Asset Management, Diversity in Contracting, Tourism, and P69 Facilities Management.

# Environment and Sustainability

The Port of Seattle targets its investments and programs to protect our natural resources and fulfill its goal of becoming the greenest and most energy-efficient port. As environmental stewards, the Port embraces its responsibility to the citizens, to the livability of this region, and to the future. The Port has a very comprehensive Environmental and Sustainability Program that includes air emissions reduction, sound insulation and noise abatement, wetlands and habitat restoration, waste reduction and recycling, water quality improvement and water conservation, stormwater management, wildlife management, hazardous materials management, contaminated site cleanup, and energy conservation.



## Key Environmental and Sustainability initiatives for 2021 include:

- South King County (SKC) Fund
- Airport Community Ecology (ACE) Fund
- Energy & Sustainability (E&S) Fund
- Duwamish Valley Community Equity Program
- Low Carbon Fuel Policy
- South Resident Orca Recovery Program
- Renewable Natural Gas



# NORTHWEST SEAPORT ALLIANCE (NWSA)

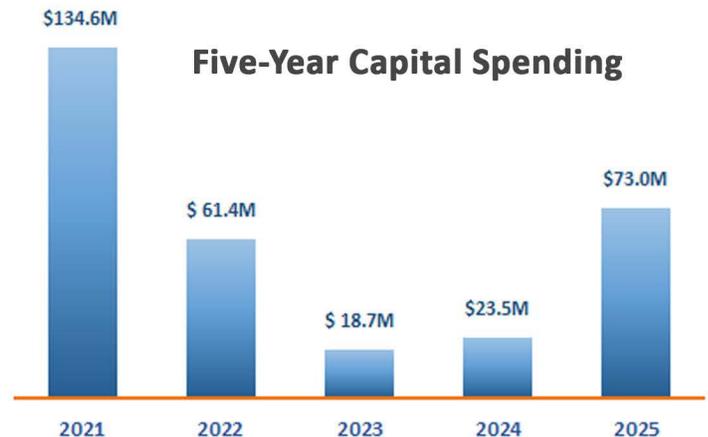


## THE NORTHWEST SEAPORT ALLIANCE

The Northwest Seaport Alliance (NWSA) is a joint venture between the Port of Seattle and the Port of Tacoma. Established in 2015, the Alliance unifies the two ports' marine cargo terminal investments, operations, planning, and marketing to strengthen the competitiveness of the Puget Sound gateway.

The net income from the NWSA is distributed evenly between the two home ports and the Port of Seattle's 50 percent share of the 2021 distributable revenue is forecast to be \$42.3 million, which is the largest source of Non-Airport revenue and is included as operating revenue in the Portwide financial statements.

The ports also share equally in NWSA capital investments; the Port of Seattle's share is forecast to be \$134.6 million for 2021 and \$311.2 million for the next 5 years.



### The five year NWSA Capital Improvement Plan (CIP) focuses on both strategic and maintenance projects that include:

- Major Terminal Improvements at Terminal 5
- Dock Rehabilitation at Terminal 18 and Terminal 46
- Rehabilitation of Terminal 46 bulkhead
- Berth dredging and shore power at Husky Terminal

# Capital Spending 2021-2025

## Major Capital Projects

The total capital budget for 2021 is \$508.5 million and the five-year Capital Improvement Program is \$3.7 billion, which reflects the Port's continuing commitment to promoting regional economic vitality through the investment in the development, expansion, and renewal of Port facilities in support of the strategies and objectives outlined in the Port's Century Agenda and five-year plan for each division.



- International Arrivals Facility (IAF)
- North Satellite Renovation and Expansion
- Baggage Recapitalization/Optimization
- C1 Building Floor Expansion



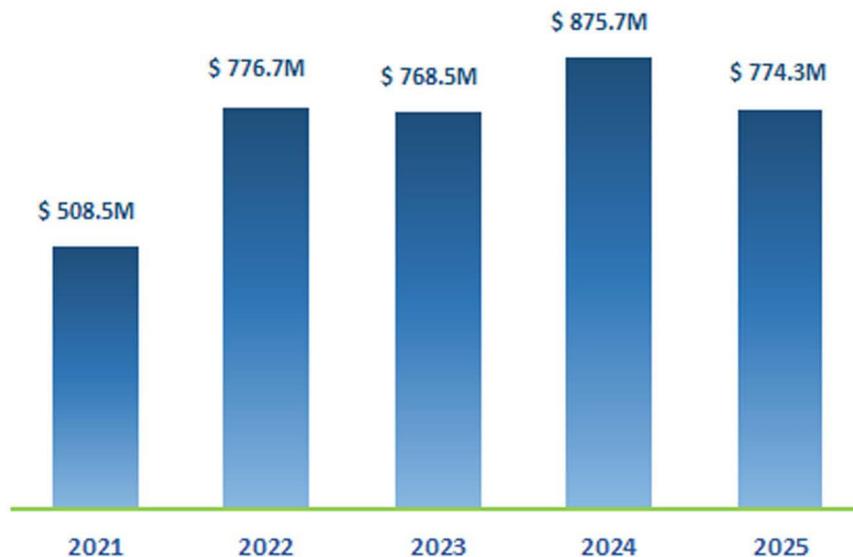
- Terminal 91 Berth 6 and 8 Redevelopment
- Terminal 46 North Pier Structure Replacement
- Terminal 117 Restoration



- Pier 66 Shore Power/Waterfront Electrification
- Terminal 91 Uplands Development



## Five-Year Capital Spending



# Sources and Uses of Funds



## Sources of Funds

(\$ in 000's)

Proceeds from Bond Issues	\$ 750,000	42.9%
Operating Revenues <sup>(1)</sup>	\$ 690,841	39.5%
Grants and Capital Contributions	\$ 115,819	6.6%
Tax Levy	\$ 78,676	4.5%
Passenger Facility Charges	\$ 67,990	3.9%
Rental Car Customer Facility Charges	\$ 24,168	1.4%
Interest Receipts	\$ 13,158	0.8%
Fuel Hydrant Receipts	\$ 7,022	0.4%
Other Receipts	\$ 1,645	0.1%
<b>Total</b>	<b>\$ 1,749,319</b>	<b>100%</b>

(1) The Operating Revenues total includes NWSA distributable cash.

## Uses of Funds

(\$ in 000's)

Capital Expenditures	\$ 508,526	35.5%
Total Operating Expenses	\$ 423,412	29.6%
Total Debt Service	\$ 408,528	28.5%
Payment to NWSA for Capital Expenditures	\$ 67,314	4.7%
Other Expenses	\$ 14,228	1.0%
Public Expense	\$ 10,144	0.7%
<b>Total</b>	<b>\$ 1,432,151</b>	<b>100%</b>

# Tax Levy at a Glance

## The 2021 levy will be used for:

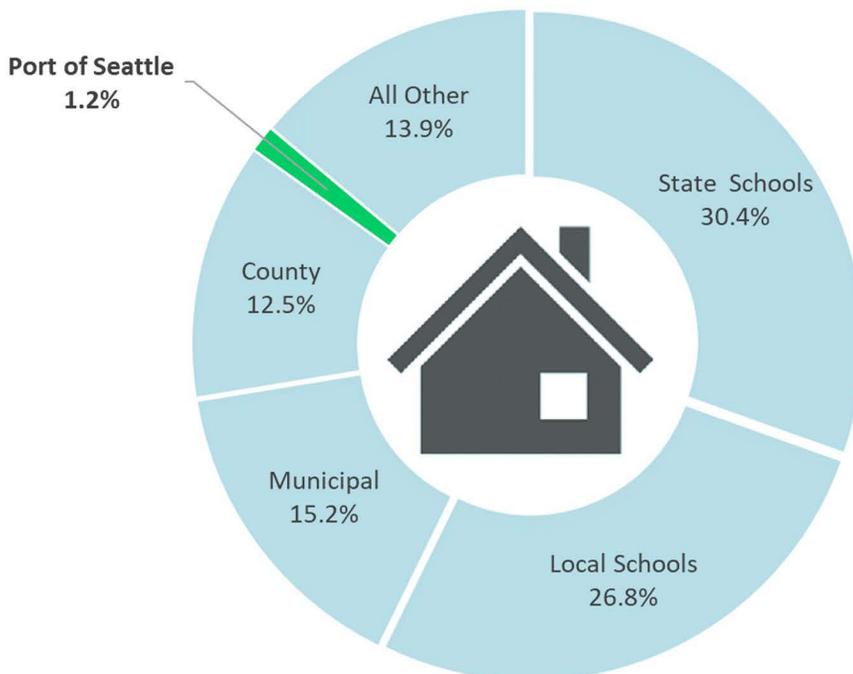
- General Obligation (G.O.) Bond debt service
- Capital projects reviewed by the Commission
- NWSA Membership Interest Contribution
- Regional transportation projects
- Environmental remediation
- Airport Community Ecology funding and energy and sustainability policy directives
- Workforce development, tourism and economic development partnership grants
- City of SeaTac safety enhancements
- Local community advertising at SEA
- Sustainable Aviation Fuels and Air Emissions Program
- South King County Support Funding
- Duwamish Valley Community Equity Program



## Facts about the Port property tax levy:

- The maximum allowable levy for 2021 is \$108.2 million
- The 2021 levy represents a three percent increase from \$76.4 million in 2020 to \$78.7 million in 2021
- In 2021 the median King County homeowner will pay an estimated \$1.58 more this year, going from \$71.6 per year in 2019 to \$73.2 per year in 2021
- The estimated 2021 millage rate is \$0.122 per \$1,000 assessed value
- Just 1.2 percent of all the property taxes collected in King County went to the Port in 2019

## 2020 King County Property Taxes by Jurisdiction



While the Port is permitted to levy up to **\$0.45** per \$1,000 of assessed valuation under Washington State law, the 2021 millage rate is less than **\$0.122** for the Port.



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