Five Year Financial Plan
Fiscal Years 2019-20 to 2023-24

INFORMATIONAL PRESENTATION
JANUARY 8, 2019 – ITEM 13A

PRESENTED BY: MEGHAN WALLACE, FINANCE & PROCUREMENT MANAGER
Five Year Financial Plan

Schedule
✓ Informational Presentation, January 8th
✓ Request for Approval, February 12th

Presentation
✓ City Outlook
✓ Port Financial Overview
✓ Base, Low, and High Case Scenarios
✓ Strategic Considerations
✓ Next Steps
City Outlook

City Five Year Financial Plan was released on January 4, 2019

Major Assumptions

- Economy is strong, but outlook is tempered
- Employee Benefits have high annual inflation rates
  - 19% average growth in pension contributions
  - 6% current and retired employee healthcare
- Employee Salaries and Non-Personnel
  - Consumer Price Index, 3% average annual growth
  - Assumes no additional adjustments from labor negotiations

Major Priorities

- Equity & Accountability
- Continuation of current City services
- Address structural issues with employee costs
Port Financial Overview

Base Case
- Citywide personnel inflation assumptions
- CPI for most non-personnel expenses
- Moderate revenue growth (2.5%)
- Progress on leasing, development, and maritime revenue initiatives

Low Case
- Economic downturn slows revenue growth (2.0%)
- Reduced percentage rents
- Limited progress with revenue initiatives

High Case
- New leases yield stronger revenue performance (3.0%)
- Significant progress on new leasing/development
- Very strong progress with Cargo and Cruise

Base – High – Low
Projected Surplus/Deficits ($ millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
<th>FY 2022-23</th>
<th>FY 2023-24</th>
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<tr>
<td>Base</td>
<td>$30.0</td>
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<td>$20.0</td>
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<td>Low</td>
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<tr>
<td>High</td>
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<td>$30.0</td>
<td>$25.0</td>
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Prior Plan
Port Financial Overview

Overall, significantly better than prior plans, but structural challenges with Capital remain

Projected Capital Investments
Compared to Renewal and Depreciation ($ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Base</th>
<th>Low</th>
<th>High</th>
<th>Renewal</th>
<th>Depreciation</th>
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Average: $30.0, $23.9, $31.2, $32.1, $33.7, $29.4
Base Case: **Operating Revenue Growth**

$125 Million Operating Revenues, FY 2020-21

**New Revenue Streams are CRITICAL**
- Development projects
- New leasing opportunities
- Cruise fee increase and new partner
- Cargo expansion at Piers 80-96

**Long-term, deliberate actions by Port Commission**
- Diverse revenue streams
- Push for highest and best use
Base Case: Operating Expenditure Growth

Personnel growth

✓ Single greatest driver of cost escalation (78%)
✓ Includes one additional position annually to support the Port’s mission
✓ 92% of Benefits growth due to health and pension

Work Orders and Non-personnel costs

✓ 3% average annual growth by CPI
✓ Fire Boat is projected to cost $4.6 million by FY 2023-24 due to personnel costs
✓ Non-personnel cost growth is neutral due to high FY 2018-19 budget supporting one-time costs
Operating Surpluses are projected each year, supporting $29.4 million average capital budgets.

Port Initiatives will make the Port reach $125 million revenues within the five-year forecast.
Low Case: Economic Slowdown

No Projected Deficits

Lower Revenues
- Reduced Percentage Rents
- Slow implementation of leasing
- Slower growth in Cruise and Cargo

Reduced Spending
- No new positions

Reduced Capital Spending, $23.9M Average
- Capital Policy is met through designation of operating revenues to capital
- Capital Budget $27.4 million less overall than Base over forecast period

Projected Budget Surpluses ($ millions)

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<th>Year</th>
<th>Sources</th>
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<tbody>
<tr>
<td>2020</td>
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<td>2024</td>
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High Case: Maximizing Potential

Enhanced Revenues
- Stronger revenue performance from new leases and development projects
- Maximize potential in Maritime operations
  - Increased cargo yields and new deals at Pier 94
  - Non-shoreside power ships allowed under CARB

Ongoing Expenditure Controls
- One position per fiscal year to support mission
- Otherwise, investments are in Capital

$30 Million Average Annual Capital Investments

Projected Budget Surpluses ($ millions)
Strategies: Investment Planning

Continue to Deepen the Revenue Base
- Economic downturn is an ongoing concern
- Long-term initiatives coming to fruition fuel over $13 million growth in revenues
- Relies on the Port’s ability to deliver forecasted capital and development projects for leasing

Focus on Project Delivery and Strategic Investments
- Project Management Office
- Public/Private Partnerships

Leverage Special Use Districts
- Attract private investment with public financing tools
- Improve project feasibility

Continue to Strengthen Fiscal Practices
Thank you