

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

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| Item No. | 9E |
| Date of Meeting | February 1, 2022 |

DATE: January 21, 2022

TO: Managing Members

FROM: John Wolfe, Chief Executive Officer
Sponsor: David Morrison, Chief Financial Officer

SUBJECT: Increase of funds for NWSA 2022 salary increases or market adjustments

A. ACTION REQUESTED

Request an increase of \$75,000 for the 2022 salary budget to provide funds representing an approximate 4.5% salary adjustment pool for NWSA employee wage increases for salaried employees (excluding CEO). The funds may be used for salary increases or market adjustments. The NWSA Master Benefits and Salary Resolution (MBSR) Section III.B.3 requires “[t]he total amount awarded for salary increases, lump sum awards, and market adjustments must not exceed the budgeted totals.”

B. BACKGROUND

The NWSA and the Port of Tacoma budgeted and implemented an approximately 3% increase in salaries in April of 2021 while the Port of Seattle did not increase wages in 2021 due to the expected impact of the Pandemic on the airport.

The 2022 budget process starts in July and lasts through November. One of the first steps in the budget process is identifying the estimated funds for salary adjustments. During the summer of 2021, any inflationary pressures were identified as “transitory” and the use of 3% for salary adjustment was reasonable and consistent with prior year budget processes. The 3% budget represents an increase of approximately \$150,000 in salary expenses in 2022. Increases in revenue sources for the 2022 NWSA budget were also based on a 2% to 3% increase where relevant.

Towards the late fall, inflation rates increased and have become more pervasive and are no longer considered transitory. The NWSA 2022 budget was adopted on November 8th, 2021. Subsequently, the Port of Tacoma on November 18th increased its 2022 salary budget by \$185,737 to represent an approximate 5% increase while the Port of Seattle budgeted a 6% salary increase. The Port of Seattle has since announced an average salary increase of 8%.

The Consumer Price Index (CPI) for the nation has increased 7.04% December to December while the local Seattle/Tacoma/Bellevue CPI has increased 7.57%. The increase from the

2019 average CPI to the 2021 average CIP for the nation increased 6.7% over the two-year period.

The NWSA and other employers are facing challenges in hiring highly qualified staff and in some cases retaining staff. In addition, internal equity with the homeports is an important factor. The unemployment rate is below 4%. Competition for employees is intense among most business sectors. For the NWSA to be consistent with the Port of Tacoma and the Port of Seattle, and to be competitive with other employers in the area, the NWSA needs to provide competitive salaries. The budgeted 3% salary increase does not suffice.

Consistent with every budget, reality is turning out to be different than the assumptions made during the budget process. For example, lease rates based on CPI for some tenants are increasing by over 7% compared to the 2% increases included in the budget. Additional staffing vacancies, changes in project timelines, and variations in actual cargo will all impact the 2022 financial results that will be "finalized" a year from now. Staff does not recommend official changes to the complete budget adopted by the Managing Members in November: just an increase in the budgeted amount for salaries and market adjustments to remain competitive in the jobs market and to remain in compliance with the MBSR.

C. FINANCIAL IMPLICATIONS

The proposed increase will not change the budget. NWSA will continue to manage to achieve the budgeted Distributable Cash and Distributable Income for 2022. The \$75,000 increase in expense results in a 0.1% increase in the NWSA Total Operating Expense budget, excluding depreciation, of \$99,200,000.

D. PREVIOUS ACTIONS OR BRIEFINGS

None.