

**Item No. 9E\_Supp**  
**Date of Meeting: February 1, 2021**



**THE NORTHWEST**  
**SEAPORT ALLIANCE**  
*Gateway to Solutions*

# Increase in funds for NWSA 2022 salary increases or market adjustments

Presenter: David Morrison, CFO

# Action Requested

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



# 2022 NWSA Salary Budget History

- 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.
- 2022 budget process started in July 2021
  - Salary increase estimate is a key initial input that is difficult to change due to systems and allocation process
  - Inflation was considered “transitory” and not expected to have a long or broad impact
  - A 3% increase was consistent with prior budget processes and consistent with expectations for salary increases. The 3% increase represents \$150,000 of the 2022 salary budget of \$7,196,831



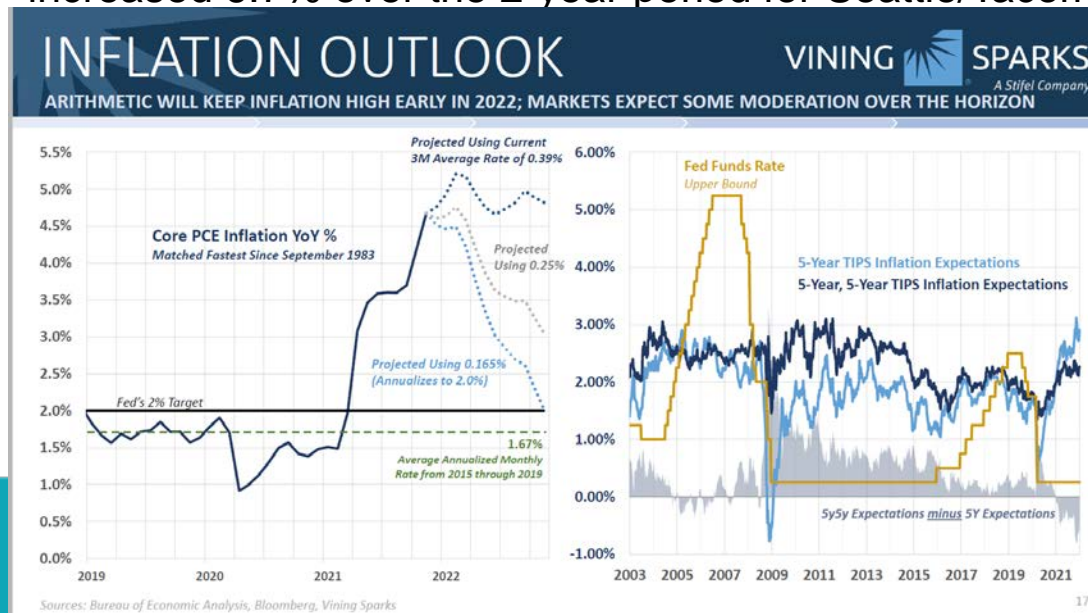
# 2022 NWSA Salary Budget History

- In fall of 2021, Inflation pressures in the economy increased and became more pervasive across different categories.
- In fall of 2021, unemployment rates also fell dramatically faster than forecasted, increasing pressure on wages
- The NWSA budget was adopted on November 8<sup>th</sup> based on the 3% salary increase
- On November 18<sup>th</sup>, the Port of Tacoma increased their budget by \$185,737 to create a 5% salary increase pool “... **to ensure the Port has budgeted sufficient dollars to address hiring and retention during a very competitive job market.**”
- The Port of Seattle adopted a budget that included a 6% increase and has since announced an average increase of 8% for their employees
  - Neither increase was reflected in the 2022 NWSA budget as these decisions were implemented after the NWSA budget adoption
  - The impact is relatively minor to the NWSA



# Consumer Price Index

- CPI
  - From December 2020 to December 2021
    - National CPI increased 7.04%
    - Seattle/Tacoma/Bellevue CPI increased 7.57%
  - From 2020 to 2021
    - Average annual is 4.55% for Seattle/Tacoma/Bellevue
  - From 2019 to 2021
    - The average CPI from 2021 compared to the average CPI for 2019 increased 6.7% over the 2-year period for Seattle/Tacoma/Bellevue



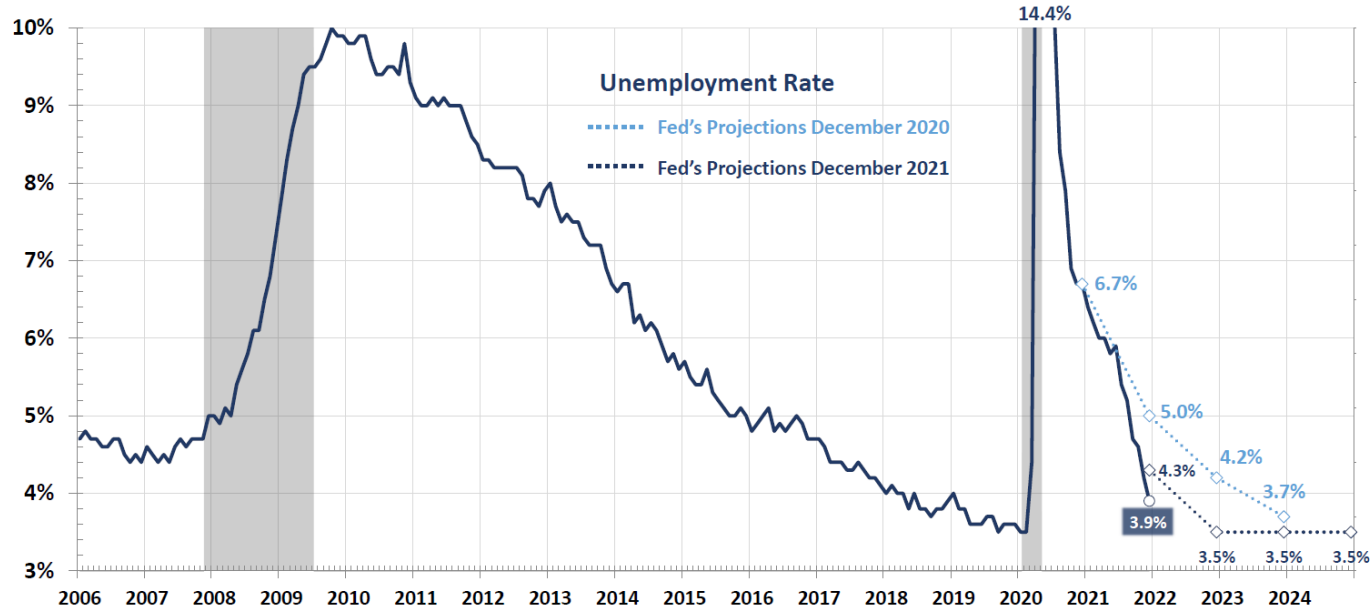
# Job Market

- Unemployment Rate

## UNEMPLOYMENT TUMBLES

SOLID JOB GAINS AND A POOR PARTICIPATION RECOVERY PULLED UNEMPLOYMENT DOWN FASTER THAN EXPECTED

VINING SPARKS  
A Stifel Company



# Revenue Increases

- **Some leases have annual increases based on time specific year over year CPI increases.**
  - December to December is 7.57% as noted earlier
- **Some leases have annual increases based on average CPI rates over a year**
  - October to October rate was 6.5%
  - Some leases limit the increase to certain percentages or via formulas
- **There are many other revenue sources and many ways of calculating revenue increases. The budget assumed a 2% increase in lease rates and 3% for tariff increases**
  - Consistent with historical information
  - Conservative revenue estimates



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# Backup

# CEO Slide

- 7. Chief Executive Officer (“CEO”):** The CEO is hired by the Managing Members. The terms and conditions of the Benefits and Salary Resolution apply to the salary and benefits of the CEO to the extent determined by agreement of a majority of the Managing Members, unless otherwise stated in the Employment Contract between the CEO and Managing Members. A performance review for the CEO shall occur on an annual basis for the preceding calendar year. Upon the Managing Members’ completion of the annual review and resulting action by the Managing Members taken by vote at a public meeting, any resulting salary adjustments will be effective April 1st. In the event a new CEO is hired after the adoption of this Resolution, the terms and conditions of this Resolution shall remain unchanged and in full force and effect and shall apply to the new CEO. However, the terms and conditions of any Contract negotiated between the Managing Members and the CEO shall control over any conflicting or inconsistent terms and conditions in this Resolution and shall become effective without an amendment to this Resolution. Such Contract must be adopted by a majority of the Managing Members by vote in open session.

