



P.O Box 1180 • Port Townsend, Washington 98368-4624

Administration: (360) 385-0656

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**Port of Port Townsend
Special Meeting Agenda
Monday, October 24, 2016 at 1:00 p.m.
Port Commission Building
333 Benedict Street, Port Townsend, WA**

- I. Call to Order / Pledge of Allegiance
- II. Second Reading
 - A. Draft (3rd version) 2017 Budget.....1-5
- III. Next Regular Commission Meeting & 2017 Budget Public Hearing:
Wednesday, October 26, 2016 at 5:30 p.m. Commission Building, 333 Benedict Street, Port Townsend
- VI. Adjournment

PORT OF PORT TOWNSEND

MEETING OF: **October 24, 2016**

AGENDA ITEM: **II. Second Reading**
 A. 2017 Draft Budget

BACKGROUND:

Staff will present the third draft of the 2017 Budget for review and discussion.

Executive Director's Recommendation:

Recommend the commission move the proposed Operating and Capital Budget to the Public Hearing scheduled for Wednesday, October 26, 2016 at 5:30 p.m.



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To: Board of Commissioners
From: Sam Gibboney, Executive Director
Date: October 21, 2016
RE: 2017 Budget

1. Attached for your review are documents pertaining to the 2017 Budget including:
 - a. Draft 2017 Operating Budget
 - b. Draft 2017 Capital Budget
 - c. Projected Cash Flow 2017 – 2020
2. This presentation of the Draft Budget differs from years past. This presents the budget in a format with revenues and expenses summarized across the organization. This type of summary presentation is in keeping with other ports of similar size.
3. This budget is responsive to the Commission directive to produce recommended capital and operating budgets that do not depend on the use of non-reserved cash. The capital budget does propose use of Boat Haven reserved cash for eligible projects.
4. We plan to meet these budget goals through a variety of measures including:
 - a. Application of inflationary price indexing for various rates.
 - b. Recovery of utility expenses and an increase in revenues through more robust lease management and enforcement. This will include updating agreements to capture the market value, as well as installation of metering systems.
 - c. Modification of pricing structures to increase margins and competitiveness.
 - d. Active marketing of assets and services.
 - e. Application of LEAN and other methodologies to increase operational efficiencies and delivery of value to our tenants, customers, rate and taxpayers.
5. It is important to note that adoption of an operating and capital budget is but one step in the financial management and oversight of the organization. Staff will continue to use the more detailed, monthly year-to-date reports and will regularly provide these to the Commission and public.
6. We will also be developing reports for other performance metrics and will introduce them throughout the coming year.
7. This level of budget presentation coupled with financial reporting will allow us to better monitor the three touchstones of financial stability: liquidity, profitability and sustainability.
8. We will produce a budget narrative to provide context and detail to accompany the budget once adopted.
9. RECOMMENDATION: I recommend that the Commission move to consider the Draft Operating and Capital Budget and to conduct a public hearing on October 26, 2016.

Port of Port Townsend
 Summary Operations & Non-Operating Activity Budget
 2017 Budget with Comparison to Prior Years

3rd Draft Budget - 10-24-16

	2014 Actual	2015 Actual	2016 Budget	2017 Budget
REVENUES				
Marinas and RV Parks	2,101,147	2,250,653	2,349,903	2,660,000
Yard Operations	1,587,241	1,572,877	1,688,076	1,855,000
Property Leases & Use	1,041,536	1,061,642	1,114,278	1,215,000
Fuel Sales & Leases	50,047	44,539	51,900	50,000
Ramp Use	32,308	35,240	55,249	55,000
Utilities	153,885	164,195	158,200	140,000
Total Operating Revenues	4,966,164	5,129,147	5,417,606	5,975,000
OPERATING EXPENSES				
Personnel	2,373,771	2,471,235	2,778,613	3,006,270
Outside Services	394,881	349,778	282,910	443,310
Facilities & Operations	846,009	697,888	751,064	805,809
Utilities	532,241	473,673	530,347	554,180
Marketing	43,467	35,152	53,050	54,450
Economic Development	25,000	25,000	25,000	40,000
Travel & Training	27,025	33,466	25,100	30,000
Cost of Goods - Fuel	24,055	18,060	20,000	12,000
Community Relations	6,959	1,374	4,000	4,000
Total Operating Expenses	4,273,408	4,105,625	4,470,084	4,950,019
Income from Operations w/o Depreciation	692,756	1,023,522	947,522	1,024,981
Depreciation Expense	1,487,232	1,527,500	1,548,147	1,519,032
Income (Loss) from Operations with Depreciation	(794,475)	(503,978)	(600,625)	(494,051)
Non-Operating Revenue				
Capital Contributions/Grants	275,220	226,355	223,740	168,750
Interest	11,357	3,327	4,200	38,000
Property & other taxes	990,006	1,033,149	1,019,000	1,020,000
Miscellaneous Non-Operating Revenue	79,260	38,047	14,000	16,200
Total Non-Operating Revenues	1,355,844	1,300,878	1,260,940	1,242,950
Non-Operating Expenses				
Bond Interest	510,297	398,506	398,273	369,339
Bond Mgmt, Issuance, Investment	1,655	72,703	2,200	154,940
Election Expense	-	6,398	-	17,340
Total Non-Operating Expenses	511,952	477,608	400,473	541,619
Net Non-Operating Income(Expense)	843,892	823,270	860,467	701,332
Net Income (Loss)	49,416	319,292	259,842	207,281

PORT OF PORT TOWNSEND -- CAPITAL BUDGET	2017-2020					PLANNED FUNDING SOURCES					Total
	2017	2018	2019	2020	2020	UnReserved Cash	Boat Haven RESERVES	GRANTS	GO BOND	Revenue BOND	
Boat Haven Stormwater Improvements (includes lift station) Assessment, design, permitting, administration Construction	\$60,000 \$1,000,000									\$60,000 \$1,000,000	\$60,000 \$1,000,000
Point Hudson Jetty South Engineering, design, permitting, administration Construction	\$50,000	\$1,533,500	\$1,533,500					\$50,000 \$1,109,000	\$1,908,000		\$50,000 \$3,017,000
Point Hudson Jetty North Engineering, design, permitting, administration Construction			\$50,000	\$50,000	\$50,000					\$100,000	\$100,000
Jefferson County International Airport Runway Engineering, Permitting, Administration Construction	\$125,000	\$2,000,000		\$2,153,000		\$6,250 \$100,000		\$118,750 \$1,900,000			\$125,000 \$2,000,000
Boat Haven Shoreline Stabilization Engineering, Permitting, Administration Construction	\$25,000	\$300,000				\$25,000	\$300,000				\$25,000 \$300,000
Boat Haven Bathroom Renovation Engineering, Permitting, Administration Construction	\$4,000 \$110,000						\$4,000 \$110,000				\$4,000 \$110,000
Point Hudson Administration Building - Ventilation Construction	\$110,000					\$110,000					\$110,000
Commercial Basin Bathroom Renovation Construction	\$36,000						\$36,000				\$36,000
Point Hudson Asbestos Remediation Construction		\$93,000				\$93,000					\$93,000
Boat Haven Electrical Remote Sub-Meters - Pilot Pilot Testing	\$20,000					\$20,000					\$20,000
Boat Haven Water Sub-Meters Construction	\$65,000						\$65,000				\$65,000
Parking Improvements & Pay Stations Construction & Installation	\$63,000					\$63,000					\$63,000
Equipment	\$23,000										\$23,000
TOTALS	\$1,691,000	\$3,926,500	\$1,583,500	\$2,203,000	\$2,203,000	\$440,250	\$515,000	\$3,177,750	\$1,908,000	\$3,313,000	\$9,354,000

2017-2022 Capital Projects - by funding source	Totals				
	2017	2018	2019	2020	2020
UnReserved Cash	\$247,250	\$193,000	\$0	\$0	\$0
Boat Haven RESERVES	\$215,000	\$300,000	\$0	\$0	\$0
GRANTS	\$168,750	\$2,454,500	\$554,500	\$0	\$0
GO BOND	\$0	\$954,000	\$954,000	\$0	\$0
Revenue BOND	\$1,060,000	\$0	\$50,000	\$2,203,000	\$2,203,000
TOTALS	\$1,691,000	\$3,901,500	\$1,558,500	\$2,203,000	\$2,203,000

Adoption of the Capital Budget is only for 2017. Future year projections of capital budget activity are for planning purposes only and are expected to change over time.

Projected Cashflow for 2017 through 2020

3rd DRAFT Budgeted Cashflow 10-24-16

	2017 Budgeted Cashflow	2018 Budgeted Cashflow	2019 Budgeted Cashflow	2020 Budgeted Cashflow
Estimated Beginning Year Cash				
Unreserved Cash	1,744,551	1,840,837	1,891,961	2,595,552
Reserved Cash	977,850	882,850	702,850	822,850
Operating Revenues	5,975,000	6,043,515	6,345,691	6,662,976
Operating Expenses (w/o depreciation)	(4,950,019)	(5,095,407)	(5,261,008)	(5,431,991)
Non-Operating Revenues	1,242,950	3,561,650	1,671,397	1,101,740
Non-Operating Expenses	(541,619)	(499,082)	(463,130)	(423,489)
Debt service - principle	(1,094,026)	(1,192,052)	(914,859)	(960,899)
Issuance of Bond Debt	1,060,000	954,000	1,004,000	2,203,000
Capital expenses (from Grants)	(168,750)	(2,454,500)	(554,500)	-
Capital expenses (from Unreserved Cash)	(247,250)	(193,000)	-	-
Capital expenses (from Bonds)	(1,060,000)	(954,000)	(1,004,000)	(2,203,000)
Capital expenses (from Reserves)	(215,000)	(300,000)	-	-
Increase/(Decrease) in cash	1,286	(128,876)	823,591	948,337
Estimated Year End Cash				
Unreserved Cash	1,840,837	1,891,961	2,595,552	3,423,889
Reserved Cash	882,850	702,850	822,850	942,850
TOTAL	2,723,687	2,594,811	3,418,402	4,366,739

Notes & Assumptions:

1. The Estimated Ending Cash for 2016 was calculated based on the actual 2015 ending cash, the YTD operational results through August 31, 2016 and adjusted for known and budgeted revenues and expenses through the 2016 year end.
2. Operating Revenues budgeted for 2016 were reduced to 95% of budget based on current activity and expected performance through year end.
3. 2017 Operating Revenues were increased from the 2nd Draft figures to reflect the price restructuring that will occur in 2017. The timeframe in which these will be presented will be throughout the year as further analysis is performed and programs are implemented. A nominal increase of \$15,000 was added to the Operating Expenses for additional consulting and project work to be performed by the EDC.
4. Non-Operating Revenues & Expenses are based on 2017 known and anticipated projections (such as property tax levy or debt service interest), with adjustments made in accordance with projections made for the Capital Expenses in the 2017 Capital Budget, such as issuance of new bond debt.
5. Capital Expenses are based on the Capital Budget for 2017 - 2020 and their projected funding sources.
6. Issuance of new Bond debt (both Revenue and GO bonds) are the principle amounts projected from the Capital Budget for 2017.
7. Debt Service principle was estimated on the new debt assuming amortization over a 20 year period at 3% interest with semi-annual payments. Those interest payments were included in the Non-Operating (net) figures for each year.