

PORT OF PORT TOWNSEND

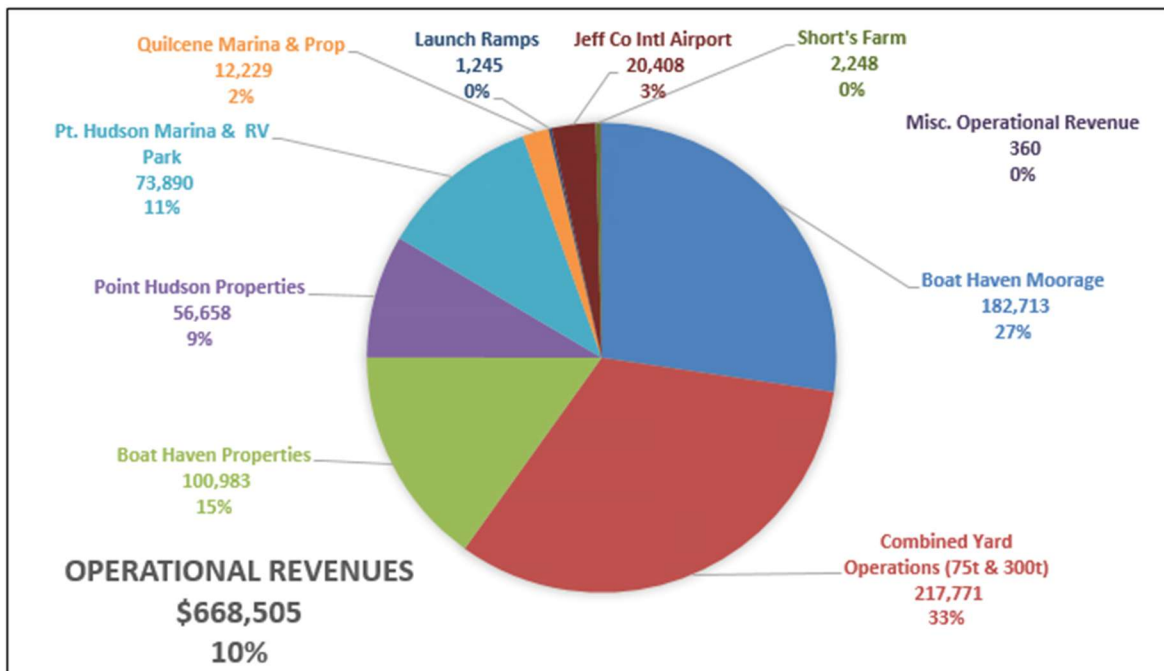
INFORMATIONAL MEMO

DATE: 3/12/2025
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: January 2025 Financial Report

Attached is the January 2025 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (January 2024) and the % of budget for 2025. January 2025 represents 8% of budget.

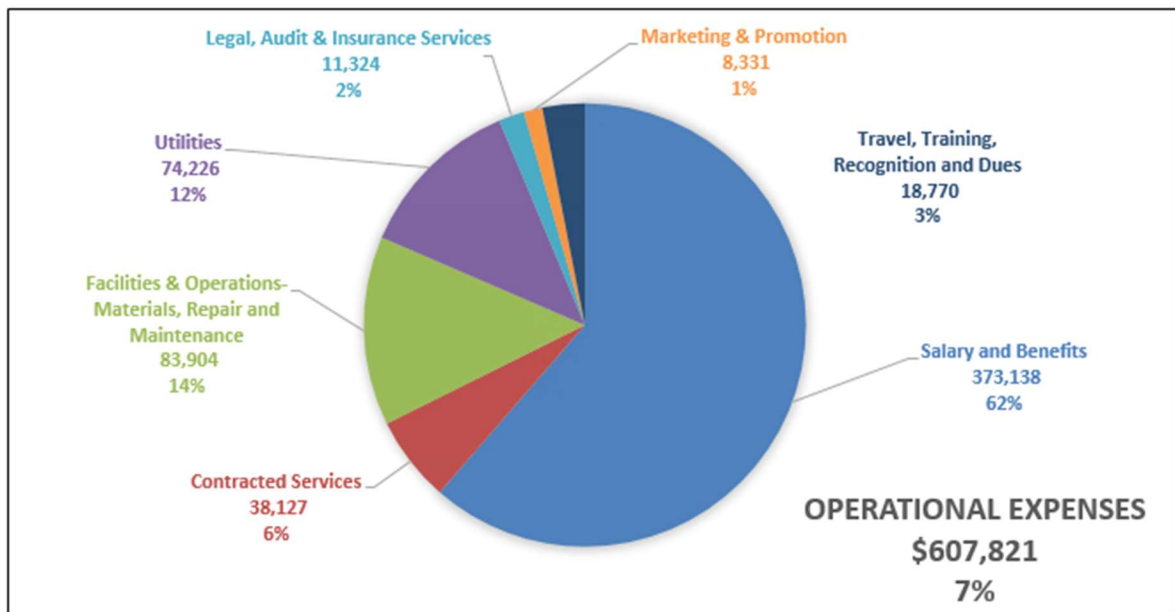
Notes to the Financial Statements:

Operating Revenues



2025 Revenues have started strong, reporting at \$668,505, \$92k higher than 2024 and 10% of 2025 Budget. Operational revenues reflect an approximate 3.8% increase to the Port's rates & fees. The Point Hudson Marina has returned to normal operations and is the primary source of the revenue increase, reporting a \$53k increase in January from the prior year. Port leased properties, combination of Boat Haven and Point Hudson, are reporting \$25k increase or 19% over 2024. Combined yard operations were \$217,771, 33% of the overall operational revenue and 25% of the 2025 Budget. Yard revenues were similar to 2024, \$8k or 4% higher in 2025.

Operating Expenditures



January 2025 operating expenses are \$607,821, \$116,341 higher than 2024 and 7% of the 2025 operating budget. Overall operational expenses are on target.

Salaries & benefits are the largest expense of Port Operations, representing 62% of the operational expenses. A 3-year union contract was ratified Fall of 2025, which included a 3.8% cost-of-living adjustment as well as specific position and grade adjustments. The 3.8% cost-of-living adjustment was included for all Port staff. The 2025 budget includes 42 budgeted positions; 1 yard position remains vacant. All vacated positions will be evaluated prior to posting for replacement. The January financials include increases/decreases for benefits. Medical insurance premiums increased by 8% for non-represented staff and 3.6% for represented. Medical insurance estimated increases were incorporated into the 2025 budget with slight budget savings of \$20k. The Port's L&I insurance decreased by 25%. L&I insurance was budget anticipating continued premium increases. The 25% premium decrease may result in potentially significant budget savings of (+/-) \$65k. The premium decrease was due to timing as L&I premiums are based on historical experience factors within a specific time range.

January operational expenses include grading and gravel work in the Yard (\$26k) and Quilcene (\$3k). Additional gravel work was done at Point Hudson (\$26k), related to parking upgrades and the expense is posted to capital projects.

Repair and maintenance supplies are typically purchased early in the year in bulk to take advantage of bulk discounts and a reduction in shipping costs. In addition to reduced costs, these early purchases enable staff to be ready to complete work as the seasons change and weather cooperates without any delay in planning and purchasing.

Net Operating Income (NOI)

January net operating income ended at 7% of the 2025 budget or \$60,684. This result is on target with anticipated NOI for 2025.

Other Increases and Decreases in Fund Resources

Other Increases

Account Receivables are reported at \$287k. This represents operational income generated but not yet recorded to revenues. This amount is typically higher at the beginning of the year because of the 5% discount offered to long-term moorage tenants. The cash has been received. Revenue will be booked in the appropriate month when invoices are generated.

Total **Grant Reimbursements** YTD January 2025 are \$930k. The Port received the 3rd Federal Direct grant installment of \$565k from EDA for the 300t Travel Lift. In addition, the Port received Federal Indirect grant reimbursements of \$174k from the Department of Commerce for the BH Stormwater project, plus State grants of \$50k from the Department of Commerce. Local grant dollars of \$140k in PIF funds were received for the JCIA Industrial Park.

Tax Receipts of \$12,775 are recorded for the month of January, slightly ahead of the planned budget for the year. **Investment Interest** for January was \$49,371 with an average interest rate of 4.4507%. The interest rate remains high. It is difficult to predict the direction rates will take in the coming year but rates will follow any trends set by the Federal Reserve.

Other Decreases

Capital Project work from the prior year has continued into January 2025. Details by project are included in the 2025 YTD Capital Project Expense report. Overall, YTD January 2025 capital project expenses are \$368k or 2% of the total 2025 capital budget. Overall, the capital project expenses can be categorized as indicated in the table below. Port salaries and benefits directly related to capital projects are charged to individual projects.

Capital Project Expense	YTD Jan 2025	% of Capital Expense
Labor	55,104	15%
Benefits	14,364	4%
Materials	143,861	39%
Contract Services	154,522	42%
Total Capital Project Expenses	\$367,852	100%

A \$953,00 budget was adopted for **Capital Equipment and Vehicles**. In January, miscellaneous equipment and attachments were purchased for the skid steer and mini excavator. The addition of this equipment will assist with port wide projects and maintenance. The addition of this equipment will allow staff to complete the work without contracting or renting equipment to complete the necessary jobs.

Capital Equipment & Vehicle	
2025 Budget Description	2025 Budget
2 Gators w-John Deer cabs for the Yard	50,000
Misc. equipment and attachments for the skid steer	50,000
Planned IT hardware and computer replacement including new servers.	50,000
300T variable width Travelift [™] for the estimated remaining payments	753,000
Miscellaneous port wide projects and equipment.	50,000
Total	\$953,000
2025 Actual Expense Description	2025 Actual Expenses
Skid steer attachments: Grading/hydro bucket (grading to eliminate potholes), flail mower (grinds up small trees and vegetation), and fencepost poler/pounder (install fencing)	50,652
Jack hammer for mini excavator	
Total	\$50,652

The building of the 300t Variable Width Travelift[™] is in the final stages of fabrication and assembly. Once assembled, Port staff will travel to the Kendrick plant in Wisconsin for training on the new equipment. The travel lift will then be disassembled into sections to be transported by semi-truck to Port Townsend, where it will be reassembled in the Port Boat Yard. The final payment of \$689k is due in April. One additional grant reimbursement is anticipated from EDA for \$425k.

Expenses related to **State & Local Vessel Programs** were incurred for \$50,436. These programs include vessel destruction and clean vessels. For various reasons, vessels are destroyed. Depending on the circumstances, the Department of Natural Resources (DNR) reimburses the Port for expenses incurred. The clean vessel program is grant funded and provides pump out services to vessels for proper sewage disposal. State reimbursements for both programs are recorded with all the other grant and contract revenues received by the Port.

Year to Date Cash Balances

The overall change in cash position compared to 2024 has increased by \$866k. This is primarily due to the timing of capital expenses with the receipt of grant reimbursements, property tax receipts, interest earnings and use of the Line of Credit as necessary cash flow to cover capital expenses.

<u>Ending Cash Balances</u>		<u>2023 Actuals</u>	<u>2025 YTD</u>
Reserved Cash & Investments – IDD		8,390,244	8,430,847
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		2,665,197	3,491,498
Total Cash & Investments		14,431,660	15,298,564
<u>*Other Reserves detail:</u>			
	<u>Target balance</u>	<u>2023 Actuals</u>	<u>2025 YTD</u>
Unemployment Reserve	NA	10,000	10,000
Operating Reserve (a)	1,773,274	1,623,405	1,623,405
Boat Haven Renovation Reserve (b)	NA	436,068	436,068
Emergency Reserve	500,000	500,000	500,000
Port-Wide Capital Reserve (c)	NA	806,746	806,746
Total Other Reserves		\$3,376,219	\$3,376,219

2025 Cash Balance Notes:

Reserved cash and investments are invested in the WA State Local Government Investment Pool (LGIP). Year to date interest, January 2025, earned is \$49,371.05. The average YTD interest rate earned was 4.4507% before investment fees. Interest rates remain strong. Future interest rates will be impacted by economic circumstances and Federal Reserve decisions through the coming year.

Other Reserves detail:

- (a) The target for the Operating Reserve is 25%, or three (3) months, of operating expenses, per the current budget. The above target is based on the 2024 Operating Budget. See resolution 692-19 for more detail.*
- (b) This reserve is for use on Boat Haven Moorage projects until it is extinguished. It was replaced by the Port-Wide Capital Reserve in resolution 693-19.*
- (c) Resolution 693-19 did not set a target for this reserve; however, in 2024 a long-term projection will be developed for funding future projects by location.*

Debt Service for the Year

2010 LTGO Bond – (83% paid A/B Dock Reconstruction, 17% paid 75 Ton Lift Pier)

June 1 – interest only \$ 58,131

December 1 – principal and interest 423,131

2015 LTGO Refunding Bond- (paid for Point Hudson Marina Reconstruction – 2005 LTGO Bonds refunded in 2015)

July 1 – principal and interest 543,025

December 31 – interest only 8,025

Total Debt Service for the year \$ 1,032,313

Remaining Debt for years 2025-2029

2010 LTGO Bond – principal and interest \$ 2,365,450 payoff December 2029

2015 LTGO Bond – principal and interest 551,050 payoff July 2025

Total \$ 2,916,500 *

As an alternative to paying off currently obligated debt in accordance with the amortization schedules, staff propose the Port move more quickly to extinguish that debt. Port staff proposes to use annual property tax levy to extinguish all the above debt obligations two years earlier in 2027, rather than the legal obligation of 2029.

2021 LTGO Line of Credit

Issue	Draw Date	Maturity Date	Interest Rate	Balance	Draw Amount	Redemption Principal	Redemption Interest	Ending Principal Balance	Available Credit	Notes
LOC 2021		Mar-27	1.55%						7,000,000	Line of Credit
1st draw	Nov-22			-	2,633,967	-	-	2,633,967	4,366,033	
2nd draw	Dec-22			2,633,967	1,189,677	-	-	3,823,644	3,176,356	
LOC payment	Mar-23			3,823,644	-	423,734	16,481	3,399,910	3,600,090	
Pay Down	Aug-23			3,399,910	-	3,399,910	26,057	-	7,000,000	
3rd draw	Oct-23			-	335,000	-	-	335,000	6,665,000	
4th draw	Nov-23			335,000	1,000,000			1,335,000	5,665,000	
5th draw	Dec-23			1,335,000	1,317,000			2,652,000	4,348,000	
6th draw	Jan-24			2,652,000	888,000			3,540,000	3,460,000	
7th draw	Feb-24			3,540,000	849,000			4,389,000	2,611,000	
LOC payment	Feb-24			4,389,000		506,705	13,071	3,882,295	3,117,705	
LOC payment	Sep-24			3,882,295		635,079	30,197	3,247,216	3,752,784	
LOC payment	Mar-25			3,247,216		640,110	25,166	2,607,106	4,392,894	
LOC payment	Sep-25			2,607,106		600,000	20,000	2,007,106	4,992,894	estimated
LOC payment	Mar-26			2,007,106		575,000	15,000	1,432,106	5,567,894	estimated
LOC payment	Sep-26			1,432,106		575,000	13,000	857,106	6,142,894	estimated
LOC payment	Mar-27			857,106		575,000	13,000	282,106	6,717,894	estimated
LOC payment	Mar-27			282,106		282,106	5,000	(0)	7,000,000	estimated
2021 LTGO Line of Credit Available Balance as of March 2025								\$ 4,392,894		

Note: Interest payments are calculated just prior to loan due dates.

The 2021 LTGO LOC's required debt redemptions are due in March, and September each year until the end of the bond term, March 1, 2027. This debt instrument serves as a bridge between project expenditure payments, grant reimbursements, and reconciliations with the IDD Levy Reserve, as applicable. An estimated repayment schedule has been included, based on no additional draws during the remaining term. The LOC can be paid in full at any time; there are no penalties for pre-payment. The interest rate on the LOC is 1.55% through March 1, 2025, and increases to 1.65% thereafter through the end of bond term.

DISCUSSION

As requested by the Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.