

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

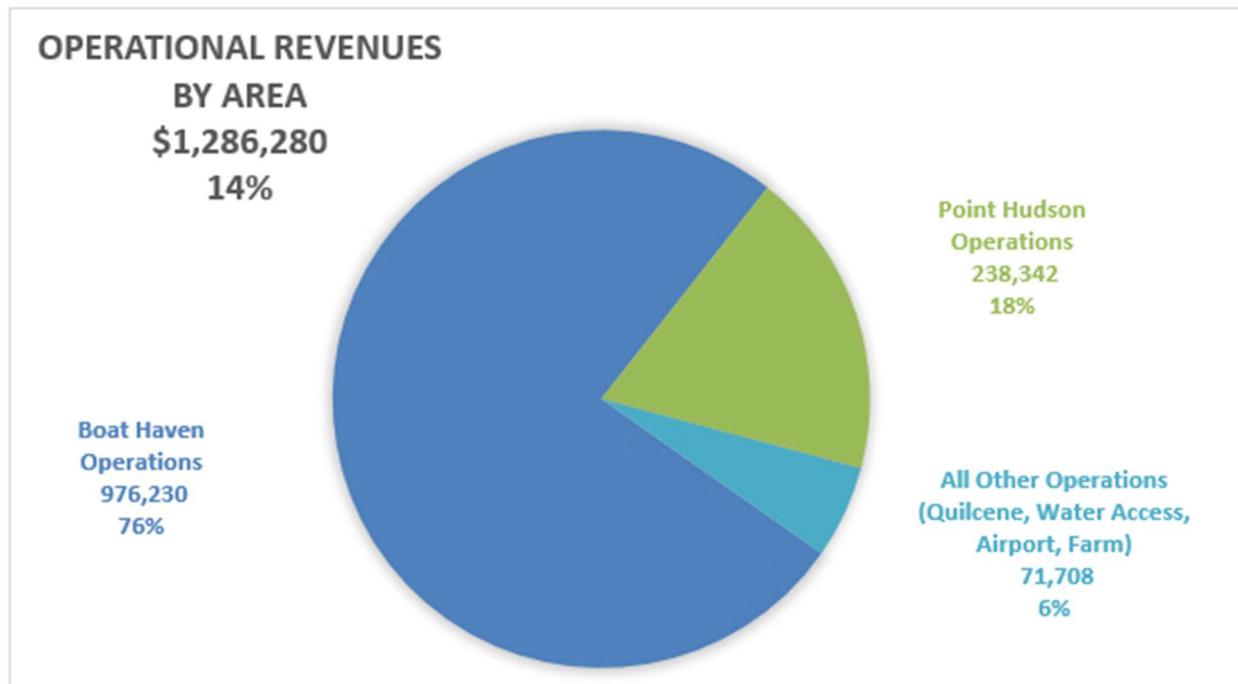
**DATE:** 4/9/2025  
**TO:** Commission, Executive Staff  
**FROM:** Connie Anderson, Director of Finance & Administration  
**SUBJECT:** February 2025 Financial Report

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Attached is the February 2025 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (February 2024) and the % of budget for 2025. February 2025 represents 17% of budget.

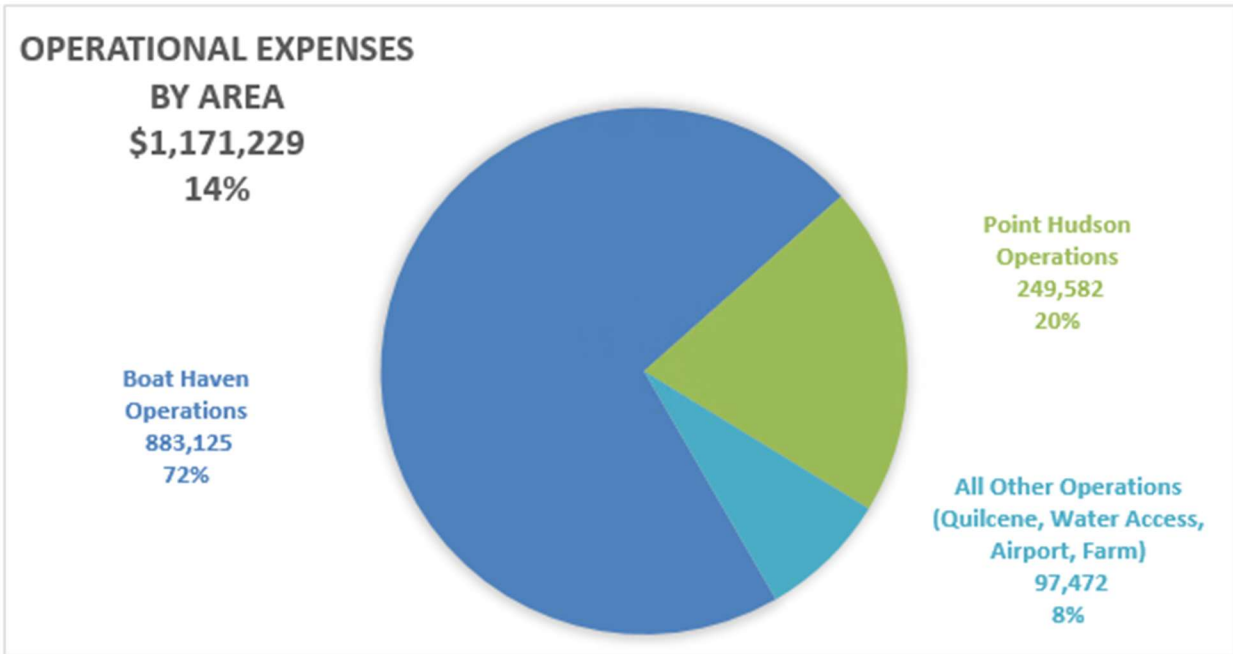
### Notes to the Financial Statements:

#### Operating Revenues



2025 Revenues through YTD February are reporting at \$1,286,280, \$69k higher than 2024 and 14% of 2025 Budget. Combined Boat Haven operations (Moorage, Yard and Properties) is the largest source of revenue for the Port, bringing in 76% of the YTD overall revenue. Combined yard operations were \$421,323, 17% of the overall operational revenue and 33% of the 2025 YTD Budget. Yard revenues were similar to 2024, with only a 1% variance to the prior year. Port leased properties, a combination of Boat Haven and Point Hudson, have fallen behind and are reporting a \$23k decrease or 7% less than 2024. The decrease in revenue reflects changes to leased properties at Point Hudson. The Point Hudson Marina has returned to normal operations and maintains a strong source of overall Port revenue, reporting a \$85k increase in February from the prior year.

**Operating Expenditures**



February 2025 operating expenses are \$1,171,229, \$100,766 higher than 2024 and 14% of the 2025 operating budget. Combined Boat Haven operations have the largest share of overall expenses at 72% of YTD costs.

Salaries & benefits are the largest expense, 63% of Port Operations and are reported at \$740k, \$39k less than 2024. The 2024 expenses included one-time expenses related to retirements as well as full staffing. The 2025 budget includes 42 budgeted positions; 1 yard position is vacant, and 1 CSR position became vacant at the end of February. All vacated positions will be evaluated prior to posting for replacement. Seasonal staff will be utilized during the busy summer season.

Water and Sewer utilities are considerably higher than 2024, a reflection of the increased rates for both services.

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)**

February net operating income ended at 14% of the 2025 budget or \$115,051, slightly below the expected result.

## **Other Increases and Decreases in Fund Resources**

### **Other Increases**

**Account Receivables** are reported at \$304k. 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 and Government Payments** YTD February 2025 are \$981k. The Port received a local government payment from WA State Department of Natural Resources for vessel destruction of \$50,687.

Additional **Tax Receipts** of \$161k are recorded for the month of February, with a YTD total of \$174k, 5% of budget. Tax receipts received early in the year typically come from taxes that are paid early such as during the sale of property or other property transactions. **Investment Interest** for February YTD is \$94,411 with an average interest rate of 4.4276%. 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 continues with many large projects planned for 2025. Details by project are included in the 2025 YTD Capital Project Expense report. Overall, YTD February 2025 capital project expenses are \$653k or 4% 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.

<b>Capital Project Expense</b>	<b>YTD Feb 2025</b>	<b>% of Capital Expense</b>
Labor	100,130	15%
Benefits	26,560	4%
Materials	261,445	40%
Contract Services	265,092	41%
<b>Total Capital Project Expenses</b>	<b>\$367,852</b>	<b>100%</b>

A \$953,00 budget was adopted for **Capital Equipment and Vehicles**. In February, a vibrating roller was purchased to use for grading and rolling. The addition of this equipment will assist with port wide projects and maintenance and will allow staff to complete the work without contracting or renting equipment to complete the necessary jobs.

<b>Capital Equipment &amp; Vehicle</b>	
<b>2025 Budget Description</b>	<b>2025 Budget</b>
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 <sup>™</sup> for the estimated remaining payments	753,000
Miscellaneous port wide projects and equipment.	50,000
<b>Total</b>	<b>\$953,000</b>
<b>2025 Actual Expense Description</b>	<b>2025 Actual Expenses</b>
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	
Vibrator roller	16,251
Server and Computer Replacement	913
<b>Total</b>	<b>\$67,816</b>

The building of the 300t Variable Width Travelift<sup>™</sup> 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 early 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 \$781k. 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>2024 Actuals</u>	<u>2025 YTD</u>
Reserved Cash & Investments – IDD		8,390,244	6,211,518
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		2,744,491	5,704,246
Total Cash & Investments		14,510,954	15,291,983
<b><u>*Other Reserves detail:</u></b>	<b><u>Target balance</u></b>	<b><u>2024 Actuals</u></b>	<b><u>2025 YTD</u></b>
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, February 2025, earned \$94,411. The average YTD interest rate earned was 4.4276% 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	<u>\$ 2,916,500 *</u>	

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. Further analysis will be brought to the commission for further consideration.

## 2021 LTGO Line of Credit

### 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
Interest Adjustment			1.65%							
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
<b>2021 LTGO Line of Credit Available Balance as of March 2025</b>								<b>\$4,392,894</b>		

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 cash draws during the remaining term. The LOC can be paid in full at any time; there are no penalties for prepayment. 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.