

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 7/10/2024
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: YTD March 2024 Financial Report

Attached is the YTD March 2024 financial report of Port activities. This consolidated report shows the variance between the current period as compared to the prior year (March 2023) and the % of budget for 2024.

Notes to the Financials:

Revenues

Revenues are stable, coming in year over year similar to 2023. Overall revenues have increased by \$8,664 compared to March 2023, and are 22% of the 2024 budget.

Expenses

Overall, the YTD expenditures have normalized, coming in at 23% of the budget. Salaries and benefits continue to be the largest expense of the Port Operations with the largest expense variances when compared to 2023 and YTD 2024 budget. Expenses will vary with seasonality and typically level out as the year progresses. The % of budget column is a valuable tool that provides an understanding of how the Port is doing compared to what was planned for 2024.

Net Operating Income (NOI)

Net operating income is down compared to 2023 as well as the 2024 budget plan. This is primarily due to seasonality and one-time expenses incurred early in the year.

Other Increases and Decreases in Fund Resources

Capital projects are in full swing with the primary focus on completing the Point Hudson Jetty project. In 2024 YTD, the Jetty project has incurred \$2.1m in expenses. Draws of \$1.7m have been taken from the 2021 Line of Credit to cover those expenses. The Port has received \$1.1m back in grant reimbursements from EDA to cover expenses incurred in 2023. The 2021 Line of Credit continues to be used to bridge the gap between when the costs are incurred, and reimbursement is received from the granting agency.

Account receivables are reported at \$84k. This represents operational invoices generated, but not yet received. As previously requested, Accounts receivable have been moved out of Net Operating Income to properly reflect the cash basis reporting of the Port.

Property tax receipts along with other governmental tax revenues have been received for \$297k. Interest revenues remain strong, with an additional \$42,903 interest income received in March. The Port remains on track to earn similar interest to 2023, which totaled \$530k for the year, depending on the continued interest rate environment.

The overall change in cash position compared to 2023 is down by \$886k in March YTD. This is primarily due to the timing of capital expenses with the receipt of grant reimbursements and property tax receipts.

Year to Date Cash Balances

<u>Ending Cash Balances</u>		<u>2023 Actuals</u>	<u>2024 YTD</u>
Reserved Cash & Investments – IDD		7,252,497	5,675,077
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		644,440	2,934,854
Total Cash & Investments		11,273,156	11,986,150
<u>*Other Reserves detail:</u>		<u>Target balance</u>	<u>2023 Actuals</u>
<i>Unemployment Reserve</i>		NA	10,000
<i>Operating Reserve (a)</i>	1,773,274	1,623,405	1,623,405
<i>Boat Haven Renovation Reserve (b)</i>		NA	436,068
<i>Emergency Reserve</i>	500,000	500,000	500,000
<i>Port-Wide Capital Reserve (c)</i>		NA	806,746
Total Other Reserves		\$3,376,219	\$3,376,219

2024 Cash Balance Notes:

IDD cash reserves have been moved to Unreserved cash & investments to cover IDD eligible project costs. This includes the 2020-2023 IDD true up for \$926k and Q4 2023 IDD eligible expenses of \$1.1m.

Reserved cash and investments are invested in the WA State Local Government Investment Pool (LGIP). Total interest earned in March 2024 was \$42,903.68. The interest rate earned was 5.407% before investment fees. Year to date interest, January – March, earned is \$133,686

Other Reserves detail:

- (a) The target for the Operating Reserve is 25%, or three (3) months, of operating expenses, per 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	\$ 66,006
December 1 – principal and interest	416,006

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

July 1 – principal and interest	530,750
December 31 – interest only	<u>15,750</u>
Total Debt Service for the year	<u>\$ 1,028,513</u>

Remaining Debt for years 2024-2029

2010 LTGO Bond – principal and interest	\$ 2,847,463	payoff December 2029
2015 LTGO Bond – principal and interest	<u>1,081,800</u>	payoff July 2025
Total	<u>\$ 3,929,263*</u>	

Port staff recommends use of 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

date	draw no.	Beginning Balance	Draw	Redemption - Principal	Redemption - Interest	Ending Principal Balance
Nov-22	1st draw	-	2,633,967	-	-	2,633,967
Dec-22	2nd draw	2,633,967	1,189,677	-	-	3,823,644
Mar-23	LOC payment	3,823,644	-	423,734	16,481	3,399,910
Aug-23	pay down	3,399,910	-	3,399,910	26,057	-
Oct-23	3rd draw	-	335,000	-	-	335,000
Nov-23	4th draw	335,000	1,000,000			1,335,000
Dec-23	5th draw	1,335,000	1,317,000			2,652,000
Jan-24	6th draw	2,652,000	888,000			3,540,000
Feb-24	7th draw	3,540,000	849,000			4,389,000
Feb-24	LOC payment	4,389,000		506,705	13,071	3,882,295
	totals		\$ 8,212,644	\$ 4,330,349	\$ 55,608	\$ 3,882,295 *

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. The Port plans to re-pay this debt prior to the term date in March 2027. 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.

2024 Capital Project Expenses

Jefferson County Int'l Airport	Budget/Planned	Year-to-date
Airport Terminal	\$ 140,000	\$ 2,071
2nd Connector Taxiway - construction	\$ -	\$ 75,524
Fuel System Improvement - <i>Design</i>	\$ 200,000	
Airport Master Plan Update	\$ 222,000	
Eco-Industrial Park - <i>Design/Engineering/Permitting</i>	\$ 450,000	
JCIA Stormwater management	\$ 25,000	
Boat Haven		
Main Breakwater Repairs - <i>Permitting & Design</i>	\$ 500,000	\$ 200
Stormwater Treatment Compliance Upgrade - <i>Permitting & Design</i> ^(b)	\$ 250,000	\$ 6,121
Moorage/Yard Office/Yard Shack		\$ 16,159
Northwest Yard Expansion (along Sims Way -- Boat Yard Construction)	\$ 1,000,000	\$ 11,909
West Yard Expansion (near shipyard)	\$ 500,000	\$ 16,856
Sperry bldg. #5 TAKU	\$ 50,000	
Sperry Bldg. #7 KEY CITY		\$ 57
Bldg. Fac. Presrv - Enviro Roof/Ext. Paint-Bathrm Ext. Paint	\$ 25,000	
BH Linear Dock Replacement - <i>Design</i>	\$ 400,000	
BH Marina Pavement Repair		\$ 1,165
Point Hudson		
Breakwater Replacement	\$ 1,600,000	\$ 2,139,411
Bldg/Facility Preservation (Cupola Bldg. Remodel)	\$ 450,000	\$ 92,934
Bldg/Facility Preservation (Restroom Repair)	\$ -	\$ 6,293
PH Parking Update	\$ -	\$ 19,048
Quilcene		
Herb Beck Dredge	\$ 80,000	\$ 9,507
Ramp Upgrade & Bathroom Remodel	\$ 170,000	\$ 2,648
Quilcene Campground	\$ 200,000	
Other Projects		
Water Walk feasibility	\$ 220,000	\$ 97,039
Gardiner Boat Launch w/seasonal float - <i>Construction</i>	\$ 800,000	\$ 4,788
Mats Mats Bay Facilities	\$ 30,000	
Portwide Dock Reno - Piling Replacement	\$ 75,000	\$ 17,233
Portwide Dock Reno - (PH Linear Dock Repair) ^(a)	\$ -	\$ 128,580
Portwide Dock Reno -	\$ 250,000	
Portwide Yard/Prkg/RV Rsrfcg (Long Term Yard Rehab)	\$ 75,000	
Clean Vessel Boat build & pump outs	\$ -	\$ 2,749
Port Equipment / Vehicle Replacement		
300T Travelift	\$ 2,933,000	
Sprinter Van, Vacuum Dump Trailer, Gator	\$ 145,000	\$ 72,855
Unplanned / Emergency Repairs		
Various Repairs & Replacement	\$ 850,000	
** Bulkhead, pavement, shoreline, marina		
Total	\$ 11,640,000	\$ 2,723,147

Notes to Capital Project Expenditures listed above:

- (a) This is a capital “program” that includes any port-wide dock renovations as needed each year. This program has \$250,000 budgeted annually for the next 5 years. Here we split the budgeted amount as was estimated for each project.
- (b) At the April 10, 2024, Business Meeting, Commission approved a motion to authorize revision to the Boat Haven Stormwater project to reflect \$661,500 of IDD funding and \$5,088,500 of grant funding in year 2024.

2024 Capital Equipment and Vehicle Purchases

Equipment / Vehicle	<u>Budget</u>	<u>2024 YTD</u>
(1) Sprinter Van	70,000	72,855
Vacuum/Dump Trailer	60,000	0
Gator (PH)	15,000	0
300T Travelift	<u>2,933,000</u>	<u>0</u>
Total Capital Vehicle and Equipment	\$3,078,000	\$ 72,855

DISCUSSION

As requested by the Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.