

PORT OF PORT TOWNSEND

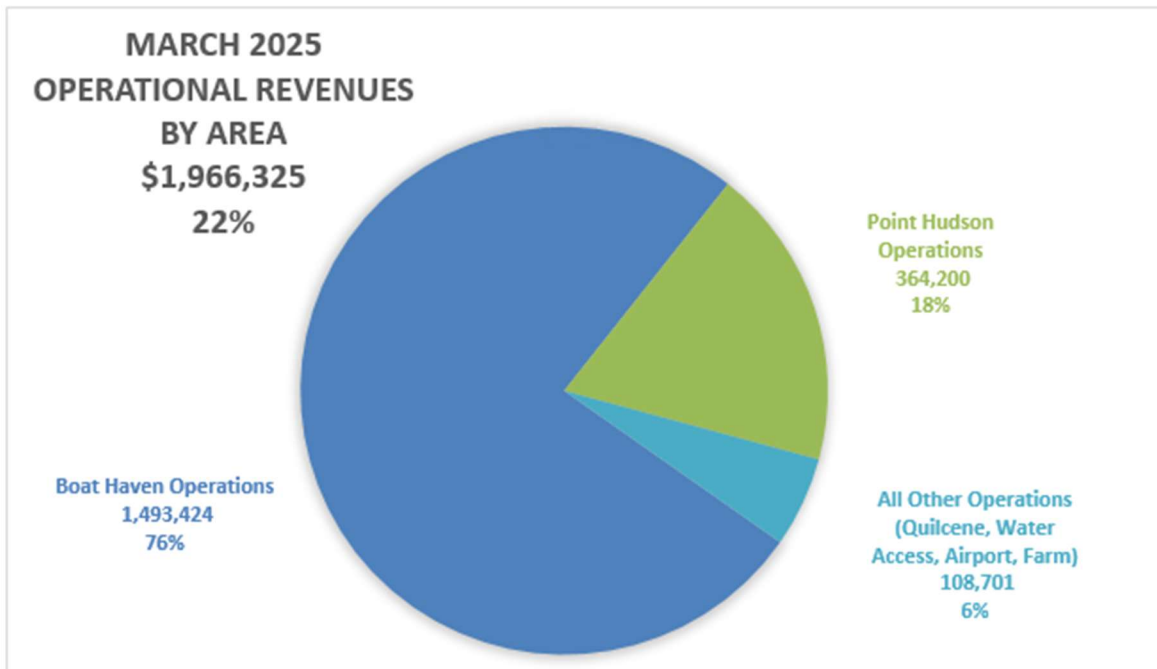
INFORMATIONAL MEMO

DATE: 5/7/2025
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: March 2025 Financial Report

Attached is the March 2025 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (March 2024) and the % of budget for 2025. March 2025 represents 25% of the budget.

Notes to the Financial Statements:

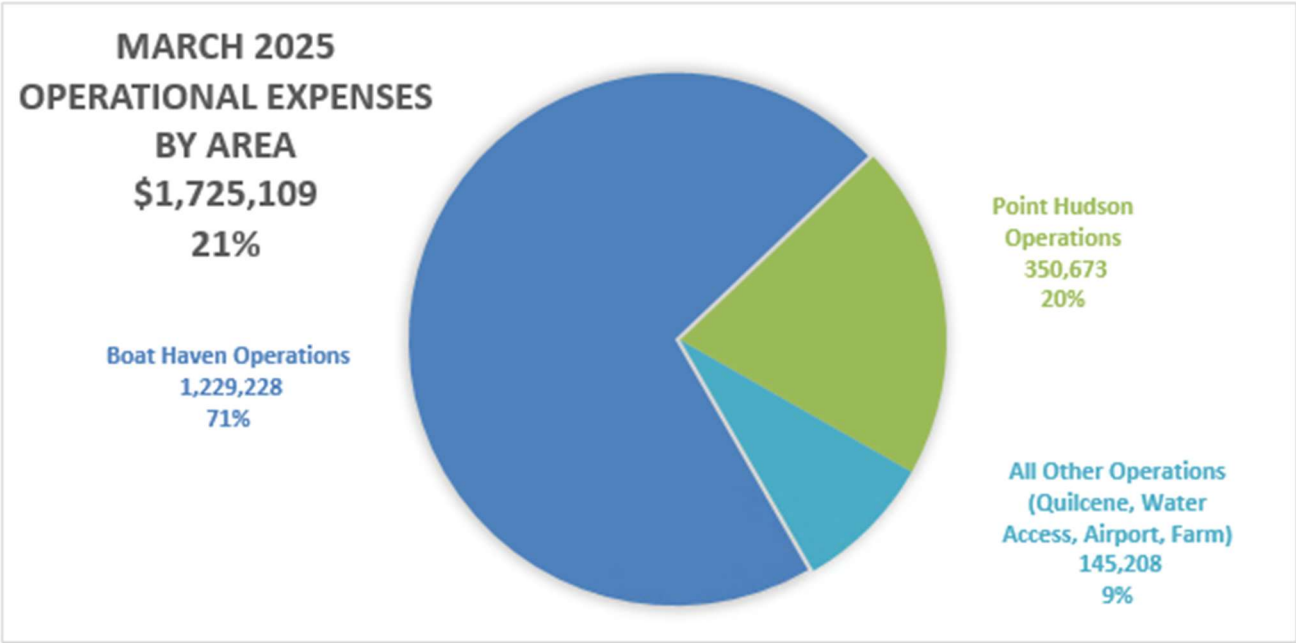
Operating Revenues



2025 Revenues through YTD March are reported at \$1,966,325, \$147k higher than 2024 and 22% of 2025 Budget. Overall revenues continue to improve as the Spring season for the Port is underway and the Boat Yard is filled with vessels undergoing regular repair, maintenance and larger project work. 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 \$669,926, 17% of the overall 2025 operational revenue and 33% of the 2025 YTD Budget. Yard revenues were similar to 2024, with only a 3% variance to the prior year. The Point Hudson Marina has returned to normal operations and maintains a strong source of overall Port revenue, reporting a \$84k increase in March from the prior year. Port leased properties, a combination of Boat Haven and Point Hudson, have improved and are reporting a \$16k increase or 4% more than 2024. Point Hudson properties have

experienced some turnover this year. Point Hudson is located in the “Maritime Heritage Corridor” subdistrict of the City’s Shoreline Master Program (SMP), which can create a challenge in locating tenants that satisfy the use regulations. The time allowance to fill any vacancies is typically longer for this location due to the restrictions.

Operating Expenditures



March 2025 operating expenses are \$1,725,109, \$105,796 higher than 2024 and 21% of the 2025 operating budget. Combined Boat Haven operations have the largest share of overall expenses at 71% of YTD costs.

Salaries & benefits are the largest expense, 64% of Port Operations and are reported at \$1.1m, \$33k 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. Recent staff changeover resulted in an internal CSR II promotion, a yard worker transitioning to the CSR I role and the addition of two new yard workers. One CSR I position is currently advertised and will be filled leaving one CSR I position vacant. In addition, seasonal CSR positions have been filled at both Point Hudson and Boat Haven to assist with the busy summer season.

Utilities continue to report considerably higher than 2024. In addition to increased rates for all utility services, an adjustment is anticipated by the City of Port Townsend utility department for an abnormal sewer reading. The remaining difference is due to the timing of posting year end 2024 utility payments.

Net Operating Income (NOI)

March net operating income ended at 29% of the 2025 budget or \$241,216, on target with the YTD budget.

Other Increases and Decreases in Fund Resources

Other Increases

Account Receivables are reported at \$297k. This represents operational income generated but not yet recorded to revenues.

Total **Grant Reimbursements and Government Payments** YTD March 2025 are \$995k. The Port received a local grant payment in March from WA State Parks for the 2024 Clean Vessel Act Program of \$14,243.

Additional **Tax Receipts** of \$300k are recorded for the month of March, with a YTD total of \$474k, 13% of budget. Semi-Annual property tax payments are due in April and October and provide most tax receipts for the year. **Investment Interest** for March YTD is \$139,299 with an average interest rate of 4.3995%. The interest rates have come down slightly but still remain high. The latest update from the Federal Reserve Chair emphasized a “wait-and-see” approach to monetary policy, delaying any decision on rate cuts. 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 March 2025 capital project expenses are \$1.2m or 8% of the total 2025 capital budget. YTD capital expense details by project are attached. 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 Mar 2025	% of Capital Expense
Labor	139,900	11%
Benefits	36,883	3%
Materials	305,765	25%
Contract Services	756,596	61%
Total Capital Project Expenses	\$1,239,144	100%

The March 2025 scheduled **Debt Payment** for the 2021 Line of Credit (LOC) was made in the amount of \$665,276. The Line of Credit has an available balance of \$4.4m, which can be drawn and used for capital project expenses. The current LOC balance owing is \$2.6m. Making scheduled payments on the LOC balance rather than paying the LOC in full provides the Port with the required cash flow for capital projects currently under construction. Final payment on any outstanding balance is due March 1, 2027.

Year to Date Cash Balances

The overall change in cash position compared to 2024 has increased by \$186k. 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	6,444,035
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		2,744,491	4,876,718
Total Cash & Investments		14,510,954	14,696,972
<u>*Other Reserves detail:</u>	<u>Target balance</u>	<u>2024 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
Emergency Reserve	500,000	500,000	500,000
Boat Haven Renovation Reserve (b)	NA	436,068	436,068
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, March 2025, earned \$139,299. The average YTD interest rate earned was 4.3995% 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
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 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.