

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 8/14/2024
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: YTD June 2024 Financial Report

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

Notes to the Financials:

Revenues

Revenues remain stable, coming in year over year comparable to 2023. Overall operating revenues have increased \$5,224 (+1.3%) compared to June 2023 and totaled \$4,009,048, 48% of the 2024 budget.

Expenses

Overall, the YTD expenditure are reporting in at 50% of the budget. Salaries and benefits continue to be the largest expense of Port Operations. As mentioned in earlier reports, the Port has made a significant investment in staffing related to Port Wide capital and deferred maintenance. In 2023 and 2024, the Port authorized the addition of the following staff to support capital projects: 2 maintenance technicians, a yard laborer, a capital engineer and a project administrator (2024) for an increase of 5 full time staff. The positions were filled beginning in March 2023, budget was added effective January 2023. The project administrator position was filled in March 2024.

Retirements, staff turnover and seasonal staffing also have an impact. Staffing changes include one-time expenses of cash outs and training. To preserve continuity of operations and transfer of knowledge, key positions have included cross over time. One-time costs incurred in the 1st half of the year are estimated at \$160k.

Repair & maintenance supplies are 100% of budget. This is due to seasonality, as maintenance staff are working on Port-Wide capital projects and deferred maintenance projects. Supplies are also purchased ahead, so staff have the equipment, tools and supplies that are needed to get the work done. This also includes supplies in preparation for upcoming weather changes, such as deicer when the weather turns cold.

Overall, expenses have increased by \$478k or 15.5%. The majority is attributed to salaries and benefits as outlined above. 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. The 2024 budget planned for growth, but revenue has remained flat when compared to 2023. The Port has also invested staff and material resources in Port Wide capital and deferred maintenance projects. This investment has increased expenses resulting in lower-than-expected Net Operating Income.

Other Increases and Decreases in Fund Resources

Capital project work is well underway around the Port. Details are included in the 2024 YTD Capital Project Expense report that is included with the financial report.

The Point Hudson Jetty grand opening was celebrated in April. June YTD, the Jetty project has incurred \$2.7m 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. As of June 30th, an additional \$1,054,581 has been requested for grant reimbursements from EDA and RCO with anticipated receipt in July. One final reimbursement request will be made to EDA in early Fall with the final close out of the project and all expenses booked to the project. The anticipated request is estimated to be around \$1.2m.

Grant reimbursement of \$740k from the FAA was received in June for the 2023 JCIA Taxiway Connector project. Reimbursement had been delayed due to DBE (Disadvantaged Business Enterprise) program certification requirements.

The construction of the 300-ton variable width travel lift began in April 2024. The initial down payment of \$988k was sent to Kendrick Equipment; estimated completion is targeted for May 2025. As of June 30th, \$790k was requested for grant reimbursement.

The 2021 Line of Credit continues to be used to bridge the gap between capital project costs are incurred, and reimbursement is received from the granting agency.

Account receivables are reported at \$44k. 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 \$682k regular operating tax levy and \$1.58m for the IDD tax levy. Interest revenues remain strong. As of June 30, the Port has earned \$279k in interest income with an average interest rate of 5.422%.

The overall change in cash position compared to 2023 has increased by \$970k. This is primarily due to the timing of capital expenses with the receipt of grant reimbursements, property tax receipts and use of the Line of Credit to cover capital expenses.

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 | 6,974,818 |
| Reserved Cash & Investments – Other, see detail below* | | 3,376,219 | 3,376,219 |
| Unreserved Cash & Investments | | 644,440 | 1,892,855 |
| Total Cash & Investments | | 11,273,156 | 12,243,892 |
| <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). Year to date interest, January – June, earned is \$279,416. The average YTD interest rate earned was 5.422% before investment fees. Interest rates continue at a steady pace.

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 |
| Sep-24 | LOC payment | 3,882,295 | | 635,079 | 13,197 | 3,247,216 |
| | totals | | \$ 8,212,644 | \$ 4,965,428 | \$ 68,806 | \$ 3,247,216 * |

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.

DISCUSSION

As requested by the Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.