

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 9/11/2024  
**TO:** Commission, Executive Staff  
**FROM:** Connie Anderson, Director of Finance & Administration  
**SUBJECT:** YTD July 2024 Financial Report

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Attached is the YTD July 2024 financial report on Port activities. This consolidated report shows the variance between the current period as compared to the prior year (July 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 \$33,533 compared to July 2023 and totaled \$4,819,993. Revenues are on target at 58% of the 2024 budget.

#### **Expenses**

Overall, the YTD expenditures are reported at 59% of the operating budget, on target for the 2024 budget. The operating expenses have increased by \$558,499 compared to July 2023 and totaled \$4,179,688.

Annual insurance premiums are due in August and September, so a spike in operating expenses is anticipated to cover these costs. In the coming months, capital project expenditures will be allocated as staff focus on capital projects during the peak summer season. This will reduce operating expenditures and will reflect the Port's focus on Port-Wide capital projects and deferred maintenance projects.

#### **Net Operating Income (NOI)**

Net operating income is 52% of the 2024 budget, trending down compared to July 2023 as well as the 2024 budget plan.

#### **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. Overall, YTD July 2024 capital project and equipment expenses are \$5.2m or 45% of the total 2024 capital budget. Additional funding has been secured since the 2024 budget was adopted in November 2023 and the resources are reflected in the notes below the Capital Project Expense report.

Grant reimbursements YTD July 2024 are \$3.1m. This includes the \$1,054,581 grant reimbursements from EDA and RCO in July for the Jetty project. One final reimbursement request will be made to EDA in early Fall after the final close out of the Jetty project. The anticipated request is estimated to be around \$1.2m.

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 and the second installment payment of \$706k is due in August; estimated completion is targeted for May 2025. An EDA grant has been obtained to cover 80% of the original estimated cost. Reimbursement for 80% of installment payments #1 and #2 is anticipated in the Fall.

The 2021 Line of Credit has been used to bridge the gap between capital project costs incurred and reimbursement is received from the granting agency. The line of credit is available for this purpose until March 2027. The semi-annual payment is due in September.

Account receivables are reported at \$56k. This represents operational invoices generated, but not yet received.

Property tax receipts along with other governmental tax revenues have been received for \$688k regular operating tax levy and \$1.6m for the IDD tax levy. Interest revenues remain strong. As of June 30, the Port has earned \$331k in interest income with an average interest rate of 5.411%.

The overall change in cash position compared to 2023 has increased by \$1.86m. 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 to cover capital expenses.

**Year to Date Cash Balances**

<b><u>Ending Cash Balances</u></b>		<b><u>2023 Actuals</u></b>	<b><u>2024 YTD</u></b>
Reserved Cash & Investments – IDD		7,252,497	7,021,252
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		644,440	2,736,061
<b>Total Cash &amp; Investments</b>		<b>11,273,156</b>	<b>13,133,532</b>
<b><u>*Other Reserves detail:</u></b>			
	<b><u>Target balance</u></b>	<b><u>2023 Actuals</u></b>	<b><u>2024 YTD</u></b>
<i>Unemployment Reserve</i>	NA	10,000	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	436,068
<i>Emergency Reserve</i>	500,000	500,000	500,000
<i>Port-Wide Capital Reserve (c)</i>	NA	806,746	806,746
<b>Total Other Reserves</b>		<b>\$3,376,219</b>	<b>\$3,376,219</b>

**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 – July, earned is \$331,991. The average YTD interest rate earned was 5.411% before investment fees. Interest rates may be impacted by Federal Reserve decisions through the remainder of the year.

*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 15,750  
 Total Debt Service for the year \$ 1,028,513

**Remaining Debt for years 2024-2029**

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

*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	30,197	3,247,216
	<b>totals</b>		<b>\$ 8,212,644</b>	<b>\$ 4,965,428</b>	<b>\$ 85,805</b>	<b>\$ 3,247,216 *</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. 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.