

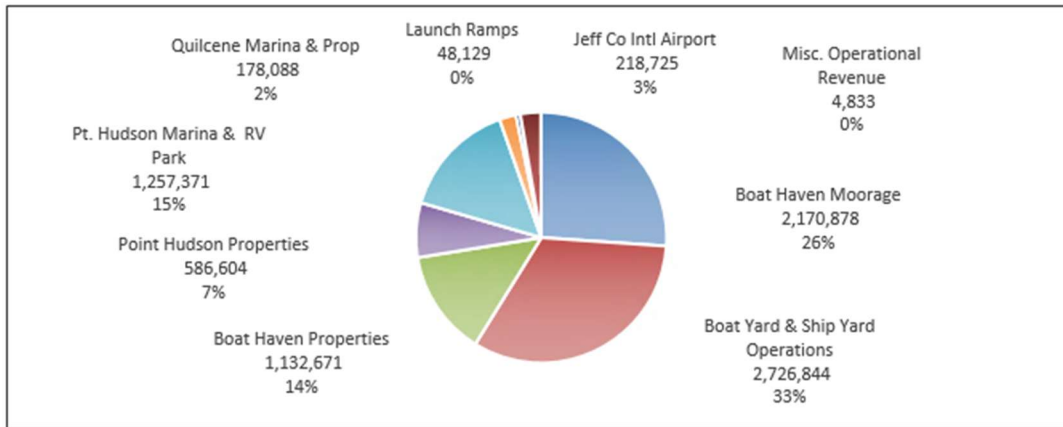
PORT OF PORT TOWNSEND INFORMATIONAL MEMO

DATE: 2/12/2025
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: Year End 2024, December 2024 Financial Report

Attached is the YTD December 2024 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (December 2023) and the % of budget for 2024. December or 2024 year-end represents 100% of budget.

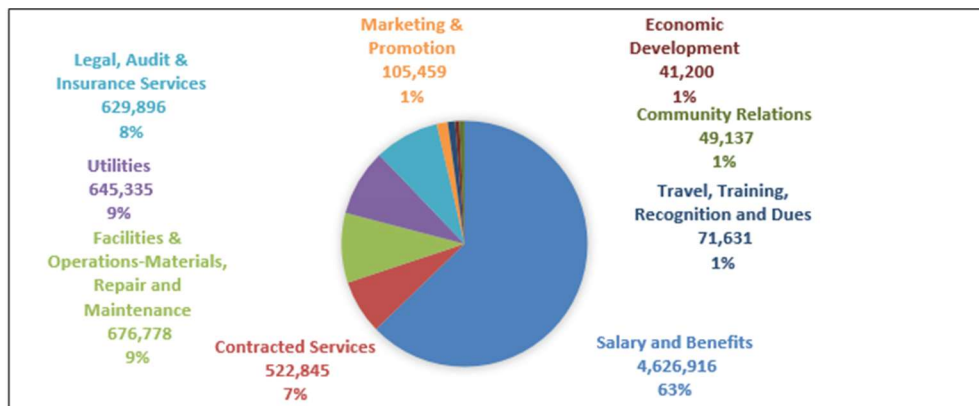
Notes to the Financial Statements:

Revenues



The year ended stronger than expected, with revenues coming in year over year higher than 2023 and 100% of the 2024 budget. Overall operating revenues have increased \$411,177 compared to December 2023 and totaled \$8,324,143.

Expenses



Overall, the YTD December 2024 expenditures are reported at 104% of the operating budget, higher than budgeted. The operating expenses have increased by \$495,941 compared to December 2023 and totaled \$7,369,196.

Salaries & benefits are the largest expense of Port Operations, representing 63% of the operational budget. The Port has made significant investments in staffing in the last few years. This includes new positions to support capital projects as well as incurring costs for one-time expenses related to training, cash outs and crossover time for key positions due to retirement and staff turnover. The 2024 one-time costs represent \$160k of the 2024 year-end salary and benefit budget. Other factors include increased insurance costs as well as increasing costs for supplies to support capital projects and deferred maintenance projects around the port.

Net Operating Income (NOI)

Net operating income ended at 78% of the 2024 budget or \$954,947. The ending December 2024 NOI is 92% of December 2023 NOI. The final net operating income result was higher than originally anticipated as operational revenues remained strong through the end of the year, while operating expenses eased.

Other Increases and Decreases in Fund Resources

Capital project work continues around the Port. Details are included in the 2024 YTD Capital Project Expense report. Overall, YTD December 2024 capital project and equipment expenses are \$8.3m or 70% 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 December 2024 are \$6.4m. The final reimbursement of \$1.25m was received in November from the US Dept of Commerce/EDA for the PH Breakwater project. In addition, the 1st and 2nd reimbursements, \$1.355m for the 300T Travelift were received in December. The 3rd installment of \$565k was received in January 2025.

Account receivables are reported at \$11k. This represents operational invoices generated but have not yet received less bad debt that has been written off for 2024 and prior periods.

Property tax receipts along with other governmental tax revenues have been received for \$1.1m regular operating tax levy and \$2.8m for the IDD tax levy. Interest revenues remain strong. As of December 31, the Port earned \$571k in interest income with an average interest rate of 4.602%. The interest rate remains high but continues to trend down as the Federal Reserve reduces the federal rate.

The overall change in cash position compared to 2023 has increased by \$3.1m. 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

<u>Ending Cash Balances</u>		<u>2023 Actuals</u>	<u>2024 YTD</u>
Reserved Cash & Investments – IDD		7,252,497	8,390,244
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		644,440	2,665,197
Total Cash & Investments		11,273,156	14,431,660
<u>*Other Reserves detail:</u>	<u>Target balance</u>	<u>2023 Actuals</u>	<u>2024 YTD</u>
<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
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 – December, earned is \$571,621. The average YTD interest rate earned was 4.602% 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 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	\$ 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	1,097,550	payoff July 2025
Total	<u>\$ 3,945,013*</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.

2021 LTGO Line of Credit

Issue	Draw Date	Maturity Date	Interest Rate	Balance	Draw Amount	Redemption Principal	Redemption Interest	Ending Principal Balance	Notes
LOC 2021		Mar-27	1.55%						Line of Credit
1st draw	Nov-22			-	2,633,967	-	-	2,633,967	
2nd draw	Dec-22			2,633,967	1,189,677	-	-	3,823,644	
LOC payment	Mar-23			3,823,644	-	423,734	16,481	3,399,910	
Pay Down	Aug-23			3,399,910	-	3,399,910	26,057	-	
3rd draw	Oct-23			-	335,000	-	-	335,000	
4th draw	Nov-23			335,000	1,000,000			1,335,000	
5th draw	Dec-23			1,335,000	1,317,000			2,652,000	
6th draw	Jan-24			2,652,000	888,000			3,540,000	
7th draw	Feb-24			3,540,000	849,000			4,389,000	
LOC payment	Feb-24			4,389,000		506,705	13,071	3,882,295	
LOC payment	Sep-24			3,882,295		635,079	30,197	3,247,216	
LOC payment	Mar-25			3,247,216		635,079	30,197	2,612,137	estimated
LOC payment	Sep-25			2,612,137		600,000	20,000	2,012,137	estimated
LOC payment	Mar-26			2,012,137		575,000	15,000	1,437,137	estimated
LOC payment	Sep-26			1,437,137		575,000	13,000	862,137	estimated
LOC payment	Mar-27			862,137		575,000	13,000	287,137	estimated
LOC payment	Mar-27			287,137		287,137	5,000	0	estimated

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.