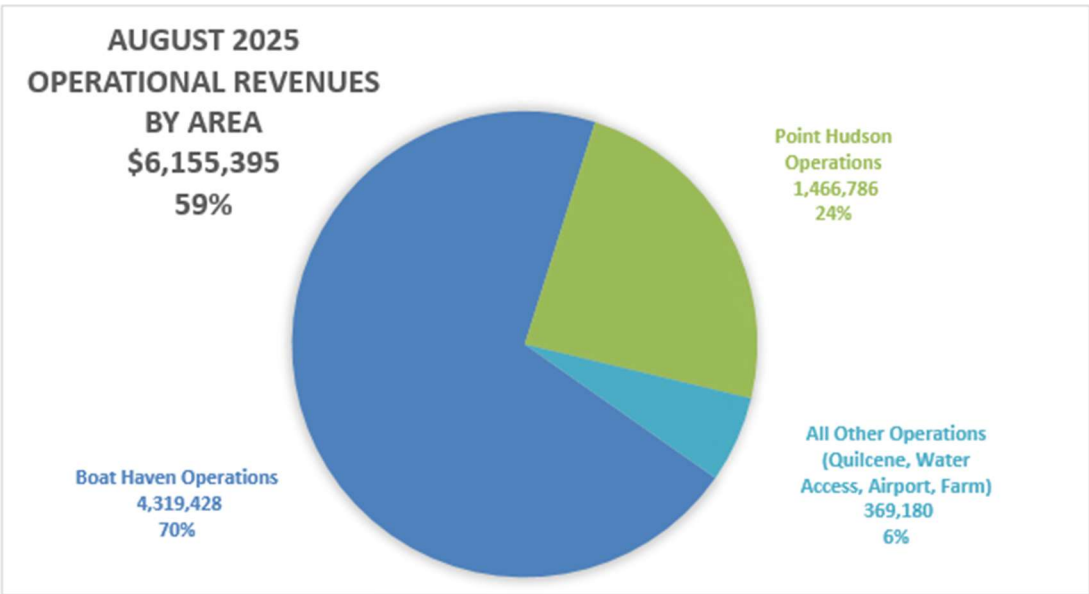


DATE: 10/8/2025
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: August 2025 Financial Report

Attached is the August 2025 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (August 2024) and the % of budget for 2025. August 2025 represents 67% of the budget.

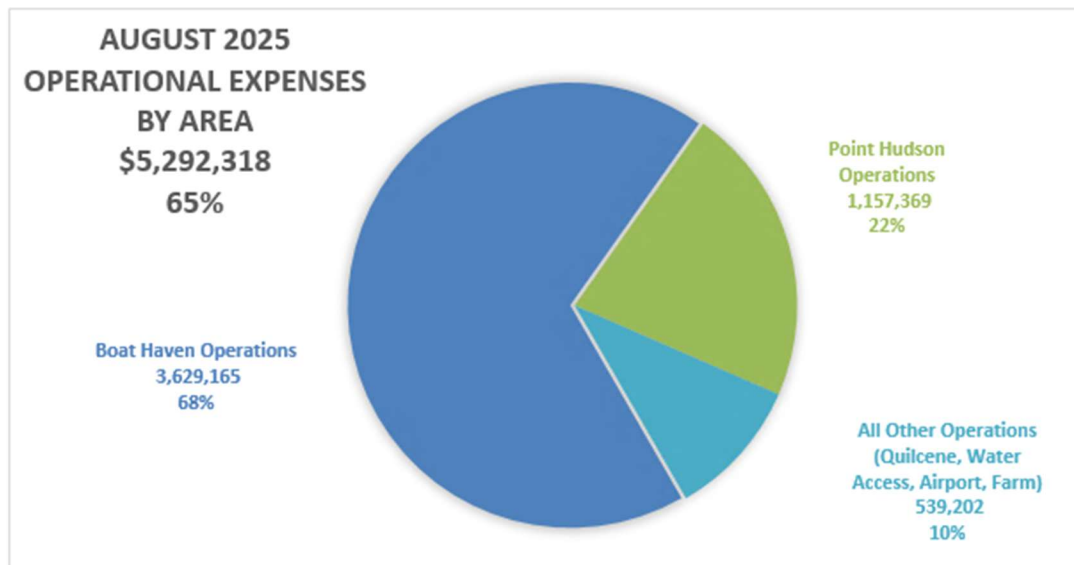
Notes to the Financial Statements:

Operating Revenues



2025 Revenues through YTD August are reported at \$6,155,395, \$534k higher than 2024 and 69% of 2025 Budget. Overall revenues have continued to improve 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 70% of the YTD overall revenue. Combined yard operations were \$1,938,925, 31% of the overall 2025 operational revenue and 67% of the 2025 YTD Budget. Combined yard revenues were similar to 2024, with only a 4% variance to the prior year. The 70/75T Boat Yard maintains high haul out activity, which offset the 300T Boat Yard haul out activity which is down compared to 2024. Even with the Stormwater construction project in process, combined Boat Yard storage revenues are reporting 4% above 2024 levels and 67% of budget. The Point Hudson Marina remains a strong source of overall Port revenue, reporting a \$186k increase in August from the prior year. Port leased properties, a combination of Boat Haven and Point Hudson, have improved and are reporting a \$124k increase or 11% more than 2024. We currently have properties available for lease at Boat Haven, Point Hudson as well as pad sites available for hangar construction at the airport.

Operating Expenditures



August 2025 operating expenses are \$5,292,318, \$201k higher than 2024 and 65% of the 2025 operating budget. Combined Boat Haven operations have the largest share of overall expenses at 68% of YTD costs.

Salaries & benefits are the largest expense, 61% of Port Operations and are reported at \$3.1m, \$302k than 2024. The 2025 budget includes 42 budgeted positions. All Seasonal positions are filled and are in place through late September – October to support Port Operations. Anticipated one-time expenses for 2025 related to staff retirements have been recorded. One CSR position will remain vacant for the remainder of 2025.

Utilities continue to report considerably higher than 2024. Utility rates have increased across the board for all utilities, ranging from 10% - 13%. This level of increase is anticipated for the next few years and will be reflected in budgeting for the upcoming year. A 3-year audit of the sewer account with the abnormal sewer reading is in process with the City of Port Townsend to understand the large year-to-year variance. Once the review is completed, an adjustment is anticipated by the City of Port Townsend utility department. A new meter has been installed and reading increments verified with the City's utility billing office. The remaining difference is due to the timing of posting year end 2024 utility payments.

Annual insurance premiums of \$529k were paid in August. One additional insurance premium of \$4,450 was paid in September. 2025-2026 premium costs total \$534,390.

Net Operating Income (NOI)

August net operating income ended at 103% of the 2025 budget or \$862,822.

Other Increases and Decreases in Fund Resources

Other Increases

Account Receivables are reported at \$210,927. This represents operational income generated but not yet recorded to revenues.

Total **Grant Reimbursements and Government Payments** YTD August 2025 are \$2,744,825. No additional grant reimbursements were received in August. Reimbursements were received for the following projects:

Additional **Tax Receipts** of \$46k are recorded for the months of August, with a YTD total of \$2,318,253, 60% of budget. Semi-Annual property tax payments are due in April and October and provide most tax receipts for the year. **Investment Interest** for August YTD is \$388,107 with an average interest rate of 4.3819%. The interest rates are holding steady in the 4.25%-4.5% range through August. The September update from the Federal Reserve Chair included a .25% (25% basis point) cut in the federal funds interest rate with potential for two additional cuts this year. With the additional interest rate cuts, it is likely that the interest earnings rate will begin to drop. It is difficult to predict the exact direction rates will take as the year progresses, but interest earnings will follow any trends set by the Federal Reserve.

Other Decreases

Capital Project work continues with many large projects in process. Details by project are included in the 2025 YTD Capital Project Expense report. Overall, YTD August 2025 capital project expenses are \$4.022m or 27% 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 August 2025	% of Capital Expense
Port Labor	350,899	9%
Port Benefits	87,893	2%
Materials	618,936	15%
Contract Services	2,964,735	74%
Total Capital Project Expenses	\$4,022,463	100%

Year to Date Cash Balances

The overall change in cash position compared to 2024 has increased by \$47k. The change in cash position is primarily due to continued strong interest earning performance (\$388K), higher YTD net operating income (\$138k) as well as lower YTD capital project expenses (\$199k).

Ending Cash Balances		2024 Actuals	2025 YTD
Reserved Cash & Investments – IDD		8,390,244	7,866,616
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		2,744,491	3,314,855
Total Cash & Investments		14,510,954	14,557,690
*Other Reserves detail:	Target balance	2024 Actuals	2025 YTD
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, August 2025, earned \$388,107. The average YTD interest rate earned was 4.3819% 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)

6.125% Interest Rate; Build America Bonds Subsidy, 3.98% effective rate

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)

3.00% Interest

January 1 – interest only 8,025

July 1 – principal and interest (Final Payment) 543,025

**PAID IN
FULL
July 2025**

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 \$ 2,916,500 *

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 – Cashmere Valley Bank

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		643,767	21,507	1,963,339	5,036,661	per CVB Schedule
Interest Adjustment			1.65%							
LOC payment	Mar-26			1,963,339		649,078	16,198	1,314,260	5,685,740	per CVB Schedule
LOC payment	Sep-26			1,314,260		654,433	10,843	659,827	6,340,173	per CVB Schedule
LOC payment	Mar-27			659,827		659,827	5,444	(0)	7,000,000	per CVB Schedule
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 pre-payment. The interest rate on the LOC was 1.55% through March 1, 2025, and increased to 1.65% thereafter through the end of bond term.

DISCUSSION

As requested by the Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.