

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

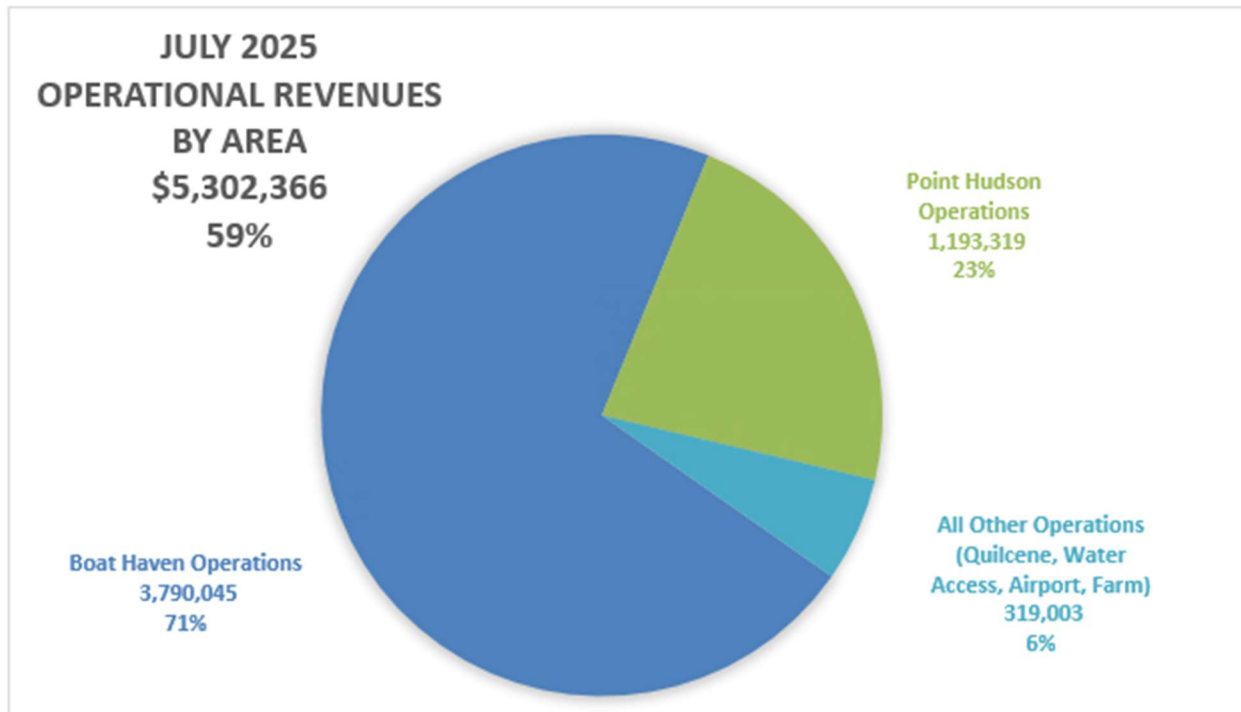
**DATE:** 9/10/2025  
**TO:** Commission, Executive Staff  
**FROM:** Connie Anderson, Director of Finance & Administration  
**SUBJECT:** July 2025 Financial Report

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Attached is the July 2025 financial report on Port activities. The consolidated report shows the variance between the current period as compared to the prior year (July 2024) and the % of budget for 2025. July 2025 represents 58% of the budget.

### Notes to the Financial Statements:

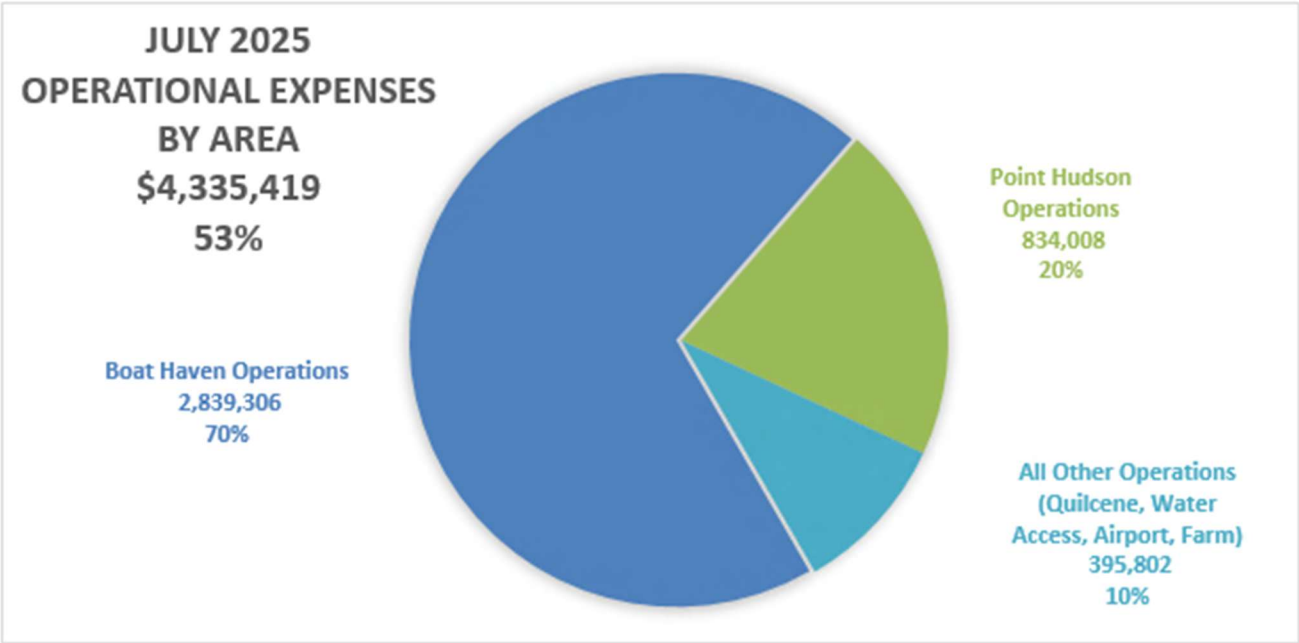
#### Operating Revenues



2025 Revenues through YTD July are reported at \$5,302,366, \$477k higher than 2024 and 59% 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 71% of the YTD overall revenue. Combined yard operations were \$1,727,190, 32% of the overall 2025 operational revenue and 60% 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 48%. Even with the Stormwater construction project in process, combined Boat Yard storage revenues are reporting 11% above 2024 levels and

60% of budget. The Point Hudson Marina remains a strong source of overall Port revenue, reporting a \$168k increase in July from the prior year. Port leased properties, a combination of Boat Haven and Point Hudson, have improved and are reporting a \$109k increase or 11% more than 2024. We currently have properties available for lease at Boat Haven, Point Hudson as well as three pad sites available for hangar construction at the airport.

**Operating Expenditures**



July 2025 operating expenses are \$4,335,419, \$201k higher than 2024 and 53% of the 2025 operating budget. Combined Boat Haven operations have the largest share of overall expenses at 70% of YTD costs.

Salaries & benefits are the largest expense, 64% of Port Operations and are reported at \$2.7m, \$73k less than 2024. The 2024 expenses included one-time expenses related to staff retirements and resignations with all 2024 budgeted positions filled. 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 has been requested from the City of Port Townsend in an effort 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. The remaining difference is due to the timing of posting year end 2024 utility payments.

Annual insurance premiums are due in August and September, so a spike in operating expenses is expected to cover these costs. 2025-2026 premium costs total \$534,390.

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

July net operating income ended at 119% of the 2025 budget or \$1,000,110, well above anticipated YTD Net Operating Income. Insurance premiums are due in August, which will impact NOI as we progress through the year.

### **Other Increases and Decreases in Fund Resources**

#### **Other Increases**

**Account Receivables** are reported at \$283,316. This represents operational income generated but not yet recorded to revenues.

Total **Grant Reimbursements and Government Payments** YTD July 2025 are \$2,744,825. The Port received \$423,114 in federal, state and local grant reimbursements in June and July. Reimbursements were received for the following projects:

| <b>Project</b>                      | <b>June /July 2025</b> | <b>Grant Type</b>                   |
|-------------------------------------|------------------------|-------------------------------------|
| Airport Master Plan                 | 21,937                 | Federal Dept of Transportation, FAA |
| Airport Master Plan                 | 2335                   | WA State Dept of Transportation     |
| JCIA Industrial Park Site Readiness | 150,000                | WA State Dept of Commerce           |
| Herb Beck Launch & Facility Improv. | 40,882                 | WA State RCO                        |
| JCIA Rural Light Industrial Park    | 60,064                 | Local Jefferson County PIF grant    |
| Clean Vessel                        | 6640                   | Port of Anacortes                   |
| Vessel Destruction                  | 141,256                | WA State Dept of Natural Resources  |
| <b>Total Grant Reimbursements</b>   | <b>\$423,114</b>       |                                     |

Additional **Tax Receipts** of \$84k are recorded for the months of June & July, with a YTD total of \$2,272,541, 61% of budget. Semi-Annual property tax payments are due in April and October and provide most tax receipts for the year. **Investment Interest** for July YTD is \$3336,392 with an average interest rate of 4.3916%. The interest rates are holding steady in the 4.25%-4.5% range. The continued updates from the Federal Reserve Chair emphasize a “wait-and-see” approach to monetary policy, delaying any decision on rate cuts. It is difficult to predict the 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 July 2025 capital project expenses are \$3.287m or 22% 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 July 2025      | % of Capital Expense |
|---------------------------------------|--------------------|----------------------|
| Port Labor                            | 301,968            | 9%                   |
| Port Benefits                         | 76,146             | 2%                   |
| Materials                             | 486,811            | 16%                  |
| Contract Services                     | 2,422,880          | 74%                  |
| <b>Total Capital Project Expenses</b> | <b>\$3,287,805</b> | <b>100%</b>          |

### Year to Date Cash Balances

The overall change in cash position compared to 2024 has increased by \$951k. The increase is primarily due to continued strong interest earning performance (\$336K), higher YTD net operating income (\$275k) as well as lower YTD capital project expenses (\$933k)

| <u>Ending Cash Balances</u>                            |                              | <u>2024 Actuals</u>        | <u>2025 YTD</u>        |
|--------------------------------------------------------|------------------------------|----------------------------|------------------------|
| Reserved Cash & Investments – IDD                      |                              | 8,390,244                  | 7,805,726              |
| Reserved Cash & Investments – Other, see detail below* |                              | 3,376,219                  | 3,376,219              |
| Unreserved Cash & Investments                          |                              | 2,744,491                  | 4,280,118              |
| Total Cash & Investments                               |                              | 14,510,954                 | 15,462,063             |
| <b><u>*Other Reserves detail:</u></b>                  | <b><u>Target balance</u></b> | <b><u>2024 Actuals</u></b> | <b><u>2025 YTD</u></b> |
| 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, July 2025, earned \$336,392. The average YTD interest rate earned was 4.3916% 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 |
| <b>2021 LTGO Line of Credit Available Balance as of March 2025</b> |           |               |               |           |             |                      |                     | <b>\$4,392,894</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. 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.