

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 12/18/2024
TO: Commission, Executive Staff
FROM: Connie Anderson, Director of Finance & Administration
SUBJECT: YTD October 2024 Financial Report

Attached is the YTD October 2024 financial report on Port activities. This consolidated report shows the variance between the current period as compared to the prior year (October 2023) and the % of budget for 2024. September is 83% of budget.

Notes to the Financials:

Revenues

Revenues remain stable, coming in year over year comparable to 2023. Overall operating revenues have increased \$172,783 compared to October 2023 and totaled \$7,025,011. Revenues are on target at 85% of the 2024 budget.

Expenses

Overall, the YTD expenditures are reported at 89% of the operating budget, higher than budgeted. The operating expenses have increased by \$551,698 compared to October 2023 and totaled \$6,298,291.

Salaries & benefits are the largest expense of Port Operations and are reporting at 91% of 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 YTD 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 is 60% of the 2024 budget or \$726,719, trending down compared to October 2023 as well as the 2024 budget plan.

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 October 2024 capital project and equipment expenses are \$6.9m or 60% 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 October 2024 are \$3.7m. This includes \$342k received in October from the Department of Commerce for the Boat Haven Stormwater project.

The construction of the 300-ton variable width travel lift began in April 2024. The third installment payment of \$706k was made to Kendrick Equipment in December; estimated completion remains on target for May 2025. Kendrick Equipment reports the travel lift as 65% complete. The first grant reimbursement for \$790k was received from EDA in December and will be reflected in the December financial statements. Additional grant requests for the 2nd & 3rd installment payments are in progress.

Account receivables are reported at \$9k. This represents operational invoices generated but have not yet been received.

Property tax receipts along with other governmental tax revenues have been received for \$1.04m regular operating tax levy and \$2.6m for the IDD tax levy. Interest revenues remain strong. As of October 30, the Port earned \$477k in interest income with an average interest rate of 4.9334%. The interest rate remains high but has begun to trend down as the Federal Reserve reduces the federal rate.

The overall change in cash position compared to 2023 has increased by \$1.5m. 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	8,107,752
Reserved Cash & Investments – Other, see detail below*		3,376,219	3,376,219
Unreserved Cash & Investments		644,440	1,326,660
Total Cash & Investments		11,273,156	12,810,631
<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 – October, earned is \$477,290. The average YTD interest rate earned was 4.9334% 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	<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>	

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

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
	totals		\$ 8,212,644	\$ 4,965,428	\$ 85,805	\$ 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.