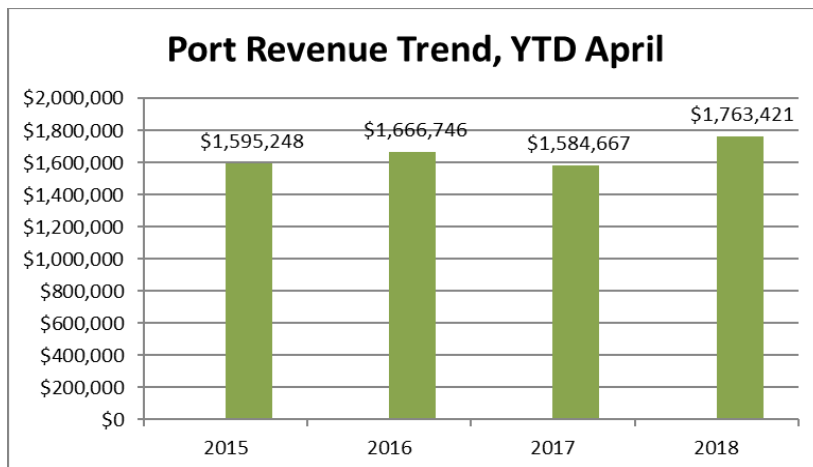
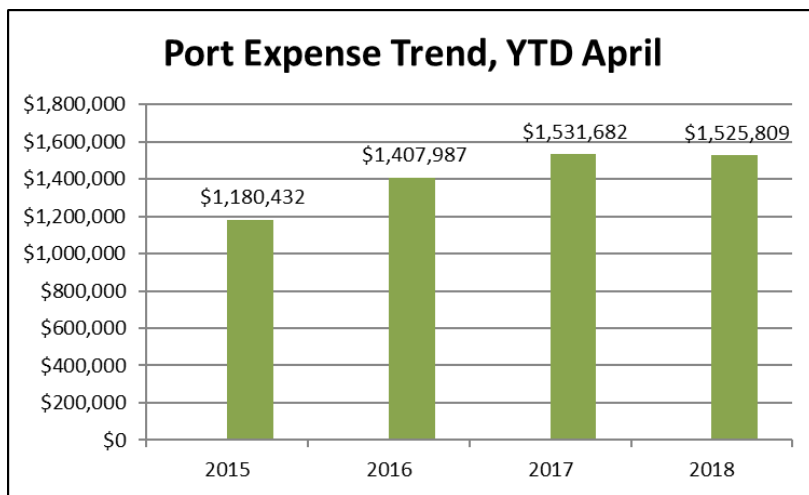


DATE: May 16, 2018
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of April 30, 2018



Revenue Highlights:

- ✓ April YTD is still very strong with 2018 Operating Revenues ahead of 2017 by \$178,754 or 11%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$27,330.
- ✓ Marinas & RV Parks revenue lead prior year by \$112,269 and are ahead of budget by \$63,915.
- ✓ Yard revenues are ahead of the prior year by \$68,268, but short of budget by \$33,072.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$12,265, and on budget.
- ✓ Ship Yard revenues are ahead of last year by \$8,118, and below budget by \$34,322.
- ✓ Increases in the Ship Yard Hoist revenue shows the Port 300 Ton lift activity is solid, and the Ship Yard revenue surged ahead in April when compared to 2017 (prior month variance was only \$1,797), though still below 2018 budget.
- ✓ Work Yard Hoist revenues surged ahead of last year by \$19,660 (prior month variance was \$6,645) and ahead of budget by \$19,307.
- ✓ Work Yard revenues also surged ahead of 2017 at \$4,364, an improvement from YTD March by \$17,654. However, this line item is still short of budget by \$16,003.
- ✓ The Yard made significant recovery from March to April, with the largest increases noted in the Work Yard Hoist (increased \$13,015), Work Yard Revenue (increased \$17,654) and Ship Yard Revenue (increased \$6,321), while narrowing the gap between YTD actual and YTD budget. It may be that the discounts advertised for the Work Yard have started to take effect.
- ✓ Property Leases & Use are less than the prior year by \$9,449. This is primarily due to tenant vacancies at Point Hudson (Cupola House and Armory Building).
- ✓ Fuel Sales & Leases are below the prior year by \$2,801, yet just below budget by only \$1,323.
- ✓ Ramp revenues have leveled off to almost the same as 2017.
- ✓ Utilities Revenue are ahead of last year by \$9,757 and ahead of budget by \$7,297.



Expense Highlights:

- ✓ 2018 Operating Expenses are less than 2017 by \$5,873, and below budget by \$164,509.
- ✓ Most of this budget variance is related to unfilled staff positions (CSR II wasn't filled until March 16th, and Security shifted from Personnel to Contract Services). The projected use of Contract Services, Consulting Services, Utilities and Facilities & Operations are expenses whose timing isn't always predictable.
- ✓ It should be noted that \$68,680 in total Personnel expenses were budgeted for capital work in 2018 based on historical annual averages and planned capital work. YTD April 37% (\$25,397) has been expensed.
- ✓ The consultant with whom the Port contracted, in part, for capital work was budgeted at 100% in Operations (\$90,000), however, YTD April 23% of those expenses (\$4,418) have been charged to capital work (which is ~5% of the total amount budgeted).
- ✓ Facilities & Operations expenses are less than 2017 by \$23,898, whereas when compared to budget is less by \$36,155. The bulk of this budget variance is less in Repair & Maintenance Materials/Supplies than budgeted.
- ✓ Utilities are higher in 2018 than 2017 (\$18,692) and more than projected budget (\$17,214).
- ✓ Marketing slightly more than in 2017 (\$2,422), though below projected budget by \$13,987.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$2,580.

YTD Net Operating Income is \$237,612. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$577,454.

Non-Operating Revenues:

- ✓ Capital Contributions / Grants revenue are up from last year due to the increased activity on the Point Hudson South Jetty project and the JCIA Runway Rehabilitation project. Though the actual timing of grant reimbursement receipts are not in alignment with budget, this isn't unusual.

Non-Operating Expenses:

- ✓ It should be noted that the 2018 budget line item titled "Bond Management, Issuance & Misc. Expense" did not include the bond issuance cost since the decision to bond for the Point Hudson South Jetty project got pushed forward into 2018 and was too late to include in the budget in November.
- ✓ In addition, this line item contained Quilcene Feasibility Study expenses in 2017 (under Miscellaneous Non-Operating expense).

Capital Projects:

This month, the Port expended \$25,728 in WIP (capital project "Work in Progress"). 46% of these expenses are for the JCIA Runway Rehab Project, 25% was for Stormwater Rx Project, 15% was for the Yard Office Remodel and the remainder was for the Stormwater Rx Project, 15% was for the JCIA Runway Rehab Project, and the remainder was spent on the Point Hudson South Jetty Project. The Stormwater Rx Project is completed in the field and staff is working on the notification to state agencies to obtain retainage release prior to the Commission approval. The Yard Office Remodel was finished in April and will be closed in May once all invoices have been received.

Capital Purchases:

There were no capital purchases made during April.

Debt Service Obligations:

On May 1st, the Port will owe \$209,372 in principal and interest on the 2013 Revenue Bond. For the remainder of 2018, the following debt service obligations must be met:

- ✓ June 1st - \$103,619 in interest only for the 2010 LTGO Bond
- ✓ July 1st - \$487,825 in principal and interest for the 2015 LTGO Bond
- ✓ November 1st - \$209,372 for principal and interest on the 2013 Revenue Bond (*final payment*)
- ✓ December 1st - \$338,619 for principal and interest on the 2010 LTGO Bond

Together the remaining debt service payments for 2018 total \$1,348,806 (\$1,074,507 of this amount is principal).

Cash & Investment balances:

End of month, the cash and investment balances were \$2,372,840. Reserve balances totaled \$912,234 and Unreserved Cash & Investments totaled \$1,460,606.

Regarding cash balances, it should be noted that the proposed bond issuance for the Point Hudson South Jetty includes up to \$500,000 that can be used to re-build Port cash balances used in the Stormwater Rx Project. The Commission passed Resolution #669-17 allowing the Port to reimburse itself from bond proceeds to replenish cash reserves used for that project.

Port of Port Townsend
Summary of Operating & Non-Operating Revenues & Expenses
2018 Activity with Comparison to Prior Year and Budget

	YTD April 2017	YTD April 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	661,533	773,803	112,269		709,888	63,915
Yard Operations	442,635	510,903	68,268		543,975	(33,072)
Property Leases & Use	371,290	361,841	(9,449)		371,437	(9,597)
Fuel Sales & Leases	10,528	7,727	(2,801)		9,050	(1,323)
Ramp Use	15,201	15,911	711		15,800	111
Utilities	83,480	93,237	9,757		85,940	7,297
Total Operating Revenues	1,584,667	1,763,421	178,754		1,736,090	27,330
OPERATING EXPENSES						
Salaries & Wages	687,877	663,908	(23,968)		702,588	(38,680)
Payroll Taxes	91,386	68,793	(22,593)		98,485	(29,692)
Employee Benefits	227,407	243,552	16,145		258,438	(14,886)
Uniform Expense	2,367	812	(1,555)		3,161	(2,349)
Contract Services	83,271	63,647	(19,624)		94,254	(30,607)
Consulting Services	14,245	24,525	10,280		55,000	(30,475)
Legal & Auditing	22,597	62,332	39,735		43,200	19,132
Facilities & Operations	225,529	201,631	(23,898)		237,786	(36,155)
Utilities	156,703	175,395	18,692		158,181	17,214
Marketing	10,229	12,651	2,422		26,638	(13,987)
Economic Development	-	-	-		-	-
Travel & Training	5,527	6,909	1,382		8,287	(1,378)
Cost of Goods - Fuel	4,234	1,654	(2,580)		4,300	(2,646)
Community Relations	310	-	(310)		-	-
Total Operating Expenses	1,531,682	1,525,809	(5,873)		1,690,317	(164,509)
Income from Operations w/o Depr	52,986	237,612	184,626		45,773	191,839
Non-Operating Revenue						
Capital Contributions/Grants	8,482	73,287	64,804		111,436	(38,149)
Interest	5,657	6,367	710		2,000	4,367
Property & other taxes	331,672	350,594	18,922		344,501	6,093
Misc Non-Operating Revenue	16,727	15,560	(1,167)		9,060	6,500
Total Non-Operating Revenues	362,539	445,809	83,270		466,997	(21,189)
Non-Operating Expenses						
Bond Interest	118,191	105,767	(12,424)		110,712	(4,945)
Bond Mgmt, Issuance & Misc Exp	9,551	200	(9,351)		415	(215)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	127,742	105,967	(21,775)		111,127	(5,160)
Net Non-Operating Income (Expense)	234,797	339,841	105,045		355,870	(16,029)
Net Income (Loss)	287,782	577,454	289,671		401,643	175,810

Notes: none

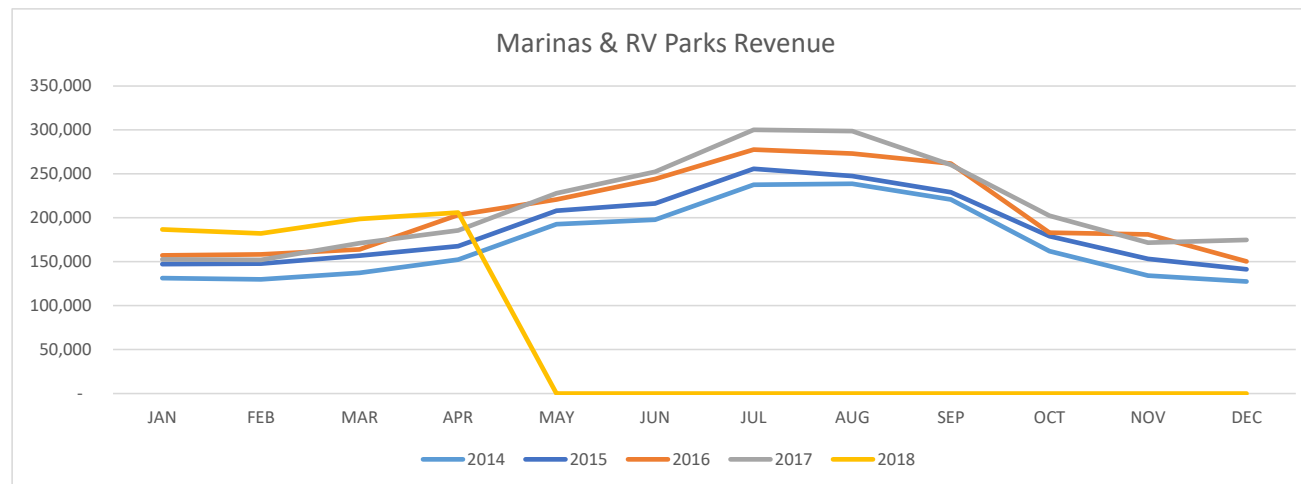
Port of Port Townsend Cashflow Management Report

	<u>YTD April 2018</u>
Net Income w/out Depreciation	577,454
Net Change in Accruals from Balance Sheet*	<u>239,664</u>
Less: Capital Expenses:	
Point Hudson South Jetty project	(109,982)
PTBH Water Meters (BFP) project	(1,900)
JCIA Runway Rehab project	(55,770)
Yard/Moorage Office Remodel project	(16,504)
PTBH Restrooms project	(1)
PTBH Stormwater Rx project	(46,126)
Land	-
Buildings	-
Improvements	(8,485)
Equipment replacement	(31,092)
Total Capital Expenses	<u>(269,860)</u>
Less: Principal Payments on Debt:	
Point Hudson Marina Refunding Bond (2015 LTGO Bond)	-
PTBH Marina Bond (2010 LTGO Bond)	-
Administrative Building Bond (2013 Revenue Bond)	-
Total Principal Payments	<u>-</u>
Increase (Decrease) in Cash Y-T-D	547,258
Beginning Cash at 1/1/2018	1,825,582
Ending Cash at 4/30/18	<u><u>2,372,840</u></u>

**These are current assets and current liabilities.*

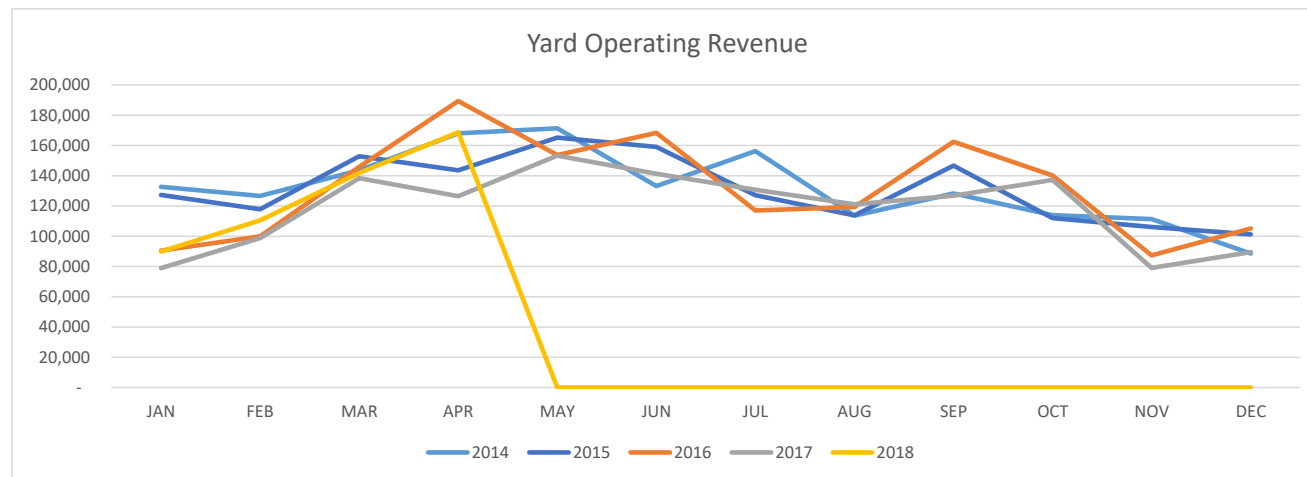
5 Year Trend of Marinas & RV Parks Revenue
Monthly as of April 30, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	131,442	130,010	137,478	152,463	192,635	197,895	237,634	238,748	220,935	161,991	134,187	127,526	2,062,944
2015	147,223	147,807	157,043	167,880	208,212	216,181	255,773	247,654	229,114	179,008	153,353	141,406	2,250,653
2016	157,265	158,331	163,963	203,332	220,872	244,026	277,638	273,082	261,784	183,088	181,166	150,375	2,474,924
2017	152,782	152,116	171,046	185,589	227,879	252,290	300,140	298,660	260,479	202,271	171,786	174,849	2,549,888
2018	186,647	182,326	198,837	205,993	-	-	-	-	-	-	-	-	773,803



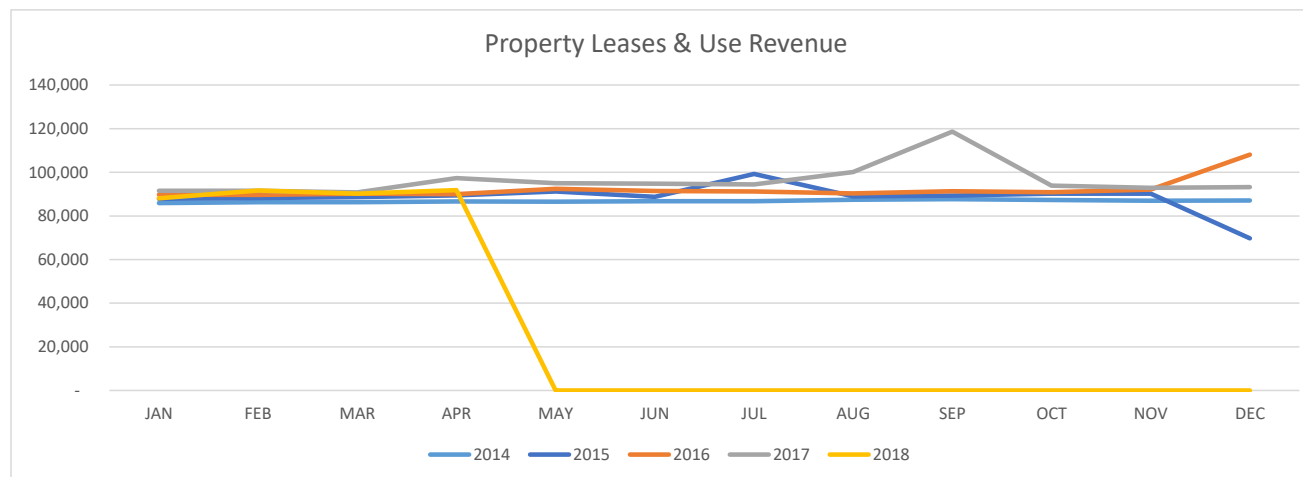
5 Year Trend of Yard Operations Revenue
Monthly as of April 30, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	132,619	126,635	143,522	168,012	171,379	133,169	156,301	113,562	128,294	113,904	111,279	88,565	1,587,241
2015	127,251	117,863	152,896	143,637	165,218	159,055	127,153	113,746	146,730	111,944	106,145	101,239	1,572,877
2016	90,417	99,886	145,797	189,397	153,684	168,270	117,066	119,277	162,539	140,141	87,340	105,067	1,578,880
2017	78,933	98,866	138,350	126,487	153,294	141,390	130,648	121,164	126,737	137,261	79,024	89,555	1,421,708
2018	89,837	110,536	141,804	168,726	-	-	-	-	-	-	-	-	510,903



5 Year Trend of Property Lease & Use Revenue
Monthly as of April 30, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	85,890	86,326	86,320	86,669	86,472	86,789	86,766	87,365	87,686	87,270	86,928	87,055	1,041,536
2015	87,810	88,194	88,643	89,442	91,186	88,736	99,242	89,007	89,305	90,179	90,171	69,730	1,061,642
2016	89,711	89,635	90,229	90,033	92,443	91,418	91,229	90,283	91,269	90,832	92,128	108,091	1,107,302
2017	91,556	91,567	90,785	97,382	95,026	94,826	94,386	100,135	118,635	93,935	92,896	93,218	1,154,349
2018	88,048	91,706	90,256	91,831	-	-	-	-	-	-	-	-	361,841

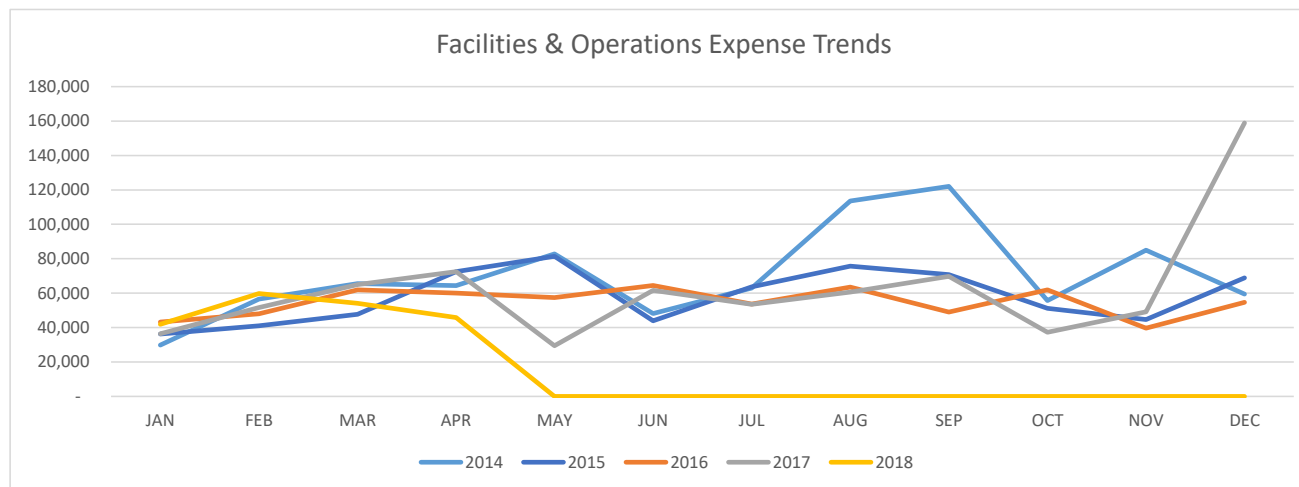


Notes:

1. The spike in September 2017 is related to use of Port property for the Wooden Boat Festival.
2. The December decrease in 2015 is related to the bankruptcy of Goldstar Marine.
3. The December increase in 2016 is related to the signing of the US Coast Guard lease renewal (three months were accrued in Dec.)

5 Year Trend of Facilities & Operations Expenses
Monthly as of April 30, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	29,839	56,517	65,559	64,363	82,858	48,211	62,921	113,527	122,041	55,721	84,978	59,474	846,009
2015	36,245	41,069	47,666	72,576	81,413	43,890	63,676	75,664	70,823	51,195	44,727	68,942	697,886
2016	43,158	47,960	61,900	60,036	57,397	64,456	53,711	63,541	49,065	61,925	39,658	54,646	657,453
2017	36,397	51,607	64,959	72,566	29,450	61,584	53,492	60,565	69,786	37,229	49,229	158,891	745,755
2018	41,842	59,782	54,138	45,869	-	-	-	-	-	-	-	-	201,631



Notes:

1. December 2017 has a sharp increase in this expense line item as the result of the Bad Debt written-off by the Commission in December in the amount of \$97,075. Without this write off, the total line item would be \$648,680 for 2017. The 2017 Bad Debt write-off relates to Revenues recognized in previous years that was identified as uncollectible. The breakdown by year is as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
\$ 16,568	\$ 67,315	\$ 6,083	\$ 7,109	\$ 97,075

2. Spike in August 2014 was the settlement payment to Caicos Construction.

3. Spike in September 2014 was an adjustment for expenses erroneously charged to the Point Hudson Breakwater project. These were minor repairs to the breakwater as the result of an accident (paid to Orion Marine Group).