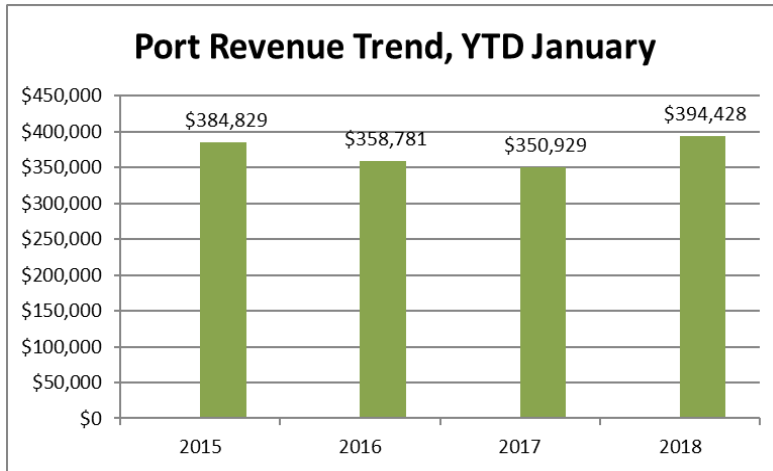
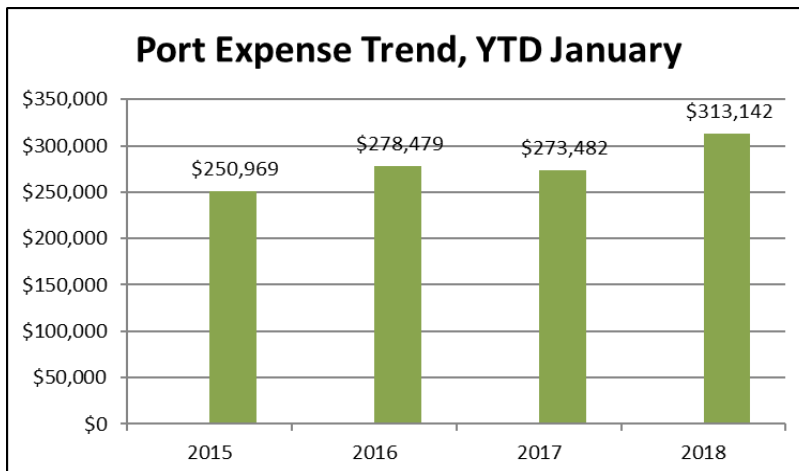


DATE: February 23, 2018
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of January 31, 2018



Revenue Highlights:

- ✓ Started 2018 ahead of 2017 in total Operating Revenues by \$43,500.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$19,137.
- ✓ Marinas & RV Parks revenue lead prior year by \$33,865 and are ahead of budget by \$24,615.
- ✓ Yard revenues are ahead of the prior year by \$10,904, but short of budget by \$2,418.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$2,978.
- ✓ Ship Yard revenues are ahead of last year by \$7,787.
- ✓ Increases in both Ship Yard revenues shows the concerted effort made by staff to bring in business.
- ✓ Work Yard Hoist revenues are less than last year by \$1,229.
- ✓ Work Yard revenues are less than last year by \$4,072, and short of budget by \$5,039.
- ✓ While staff continues to focus on maintaining the various Ship Yard revenues, they are currently also working on increasing Work Yard revenues.
- ✓ Property Leases & Use are less than the prior year by \$3,508 and less than budget by \$4,752. This is primarily due to tenant vacancies at the Cupola House and the Armory Building at Point Hudson.
- ✓ Fuel Sales & Leases are below the prior year by \$1,306 and just under budget by \$500.
- ✓ Ramp revenues, as compared to last year, almost doubled, with an increase of \$2,542, and are just ahead of budget by \$1,347.
- ✓ Utilities Revenue is slightly higher than last year by \$1,004.



Expense Highlights:

- ✓ The year to year comparison of total Operating Expenses is skewed because in January of 2017, the 2nd payroll of the month was posted to February. The actual January 2017 Salaries & Wages totaled \$167,839, or \$10,689 less than in 2018 (*see footnote, next page*). Commission pay was \$3,973 of that year to year increase due to more meeting attendance.
- ✓ Payroll taxes were similarly affected. The actual January 2017 amount payroll tax amount was \$18,240, which is only less than 2018 by \$559. This small variance is due to a 2018 FTE vacancy while there was also pay increases and changes in L&I rates.
- ✓ In February, the Payroll timing issue will resolve when comparing 2017 to 2018, however, when taking these variances into account in January, it would *increase* the 2017 Operating Expenses by \$92,131. This in turn reduces the variance between years to \$39,660, instead of \$131,791 (*see footnote, next page*).
- ✓ Though Operating Expenses increased when comparing to 2017, these were substantially budgeted and most are below budget YTD.
- ✓ Personnel was over budget by \$5,333. Most of this is Commission pay in January (\$5,251 over budget).

Net Operating Income is \$81,286. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$141,730.

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.

Capital Projects:

This month, the Port expended \$11,973 in WIP (capital project "Work in Progress"). 68% of these expenses are for the Point Hudson South Jetty Project, 25% was for the Stormwater Rx Project, and 7% is related to JCIA Runway Rehab Project.

Cash & Investment balances:

End of month, the cash and investment balances were \$1,565,899. Reserve balances totaled \$882,234 and Unreserved Cash & Investments totaled \$683,665.

Regarding cash balances, it should be noted that the proposed bond issuance of \$3,200,000 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 Jan. 2017	YTD Jan. 2018	Variance to prior year - 2017 v 2018		YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	152,782	186,647	33,865		162,032	24,615
Yard Operations	78,933	89,837	10,904		92,255	(2,418)
Property Leases & Use	91,556	88,048	(3,508)		92,799	(4,752)
Fuel Sales & Leases	2,857	1,550	(1,306)		2,050	(500)
Ramp Use	2,955	5,497	2,542		4,150	1,347
Utilities	21,846	22,849	1,004		22,005	844
Total Operating Revenues	350,929	394,428	43,500		375,291	19,137
OPERATING EXPENSES						
Salaries & Wages	74,344	178,528	104,184	(a)	173,195	5,333
Payroll Taxes	12,266	17,681	5,415		24,455	(6,774)
Employee Benefits	41,701	63,746	22,045		64,555	(809)
Uniform Expense	764	-	(764)		760	(760)
Contract Services	8,172	5,143	(3,030)		25,756	(20,613)
Consulting Services	-	-	-		13,750	(13,750)
Legal & Auditing	-	-	-		10,800	(10,800)
Facilities & Operations	36,397	41,842	5,445		60,374	(18,532)
Utilities	4,104	3,982	(122)		52,296	(48,315)
Marketing	2,237	1,900	(337)		1,100	800
Economic Development	-	-	-		-	-
Travel & Training	20	-	(20)		1,234	(1,234)
Cost of Goods - Fuel	1,310	322	(989)		1,300	(979)
Community Relations	35	-	(35)		-	-
Total Operating Expenses	181,351	313,142	131,791	(b)	429,575	(116,432)
Income from Operations w/o Depr	169,577	81,286	(88,291)		(54,283)	135,569
Non-Operating Revenue						
Capital Contributions/Grants	-	1,231	1,231		35,440	(34,209)
Interest	17,640	1,458	(16,182)		500	958
Property & other taxes	80,402	82,188	1,786		83,667	(1,479)
Misc Non-Operating Revenue	2,571	2,095	(476)		2,305	(210)
Total Non-Operating Revenues	100,614	86,972	(13,642)		121,912	(34,940)
Non-Operating Expenses						
Bond Interest	29,722	26,477	(3,245)		27,678	(1,201)
Bond Mgmt, Issuance & Misc Exp	110	50	(60)		40	10
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	29,832	26,527	(3,305)		27,718	(1,191)
Net Non-Operating Income (Expense)	70,781	60,445	(10,337)		94,194	(33,749)
Net Income (Loss)	240,359	141,730	(98,628)		39,911	101,820

Notes:

(a) Actual January 2017 Salaries & Wages were \$167,839; variance to 2018 is \$10,689 less than in 2017.

(b) Actual total Operating Expenses in January 2017 were \$273,482; the variance to 2018 is \$39,660 more than in 2017.

**Port of Port Townsend
2018 Debt Service Schedule
As of January 1, 2018**

Payment Dates	Principal	Interest	
1-Jan-18	\$ -	\$ 57,825	2015 LTGO Bond
1-May-18	\$ 203,229	\$ 6,143	2013 Revenue
1-Jun-18	\$ -	\$ 103,619	2010 LTGO Bond
1-Jul-18	\$ 430,000	\$ 57,825	2015 LTGO Bond
1-Nov-18	\$ 206,278	\$ 3,094	2013 Revenue
1-Dec-18	\$ 235,000	\$ 103,619	2010 LTGO Bond

Total \$ 1,074,507 \$ 332,124

Total Principal and Interest \$ 1,406,631

Purpose of Bonds

2010 LTGO Bond - Reconstruction of A/B Dock (83%) and 75 ton lift pier (17%)

2013 Revenue Bond - Construction of Boat Haven Administration Building

2015 LTGO Bond - Refunding of 2005 LTGO Bonds used for Point Hudson Marina Reconstruction

Estimate of Proposed Wrapped 2018 LTGO Bond of \$3.2m for Point Hudson South Jetty

(these numbers are included in the 2018 budget.)

Payment Dates	Principal	Interest	
1-Jan-18	\$ -	\$ 57,825	2015 LTGO Bond
1-May-18	\$ 203,229	\$ 6,143	2013 Revenue
1-Jun-18	\$ -	\$ 103,619	2010 LTGO Bond
1-Jul-18	\$ 430,000	\$ 57,825	2015 LTGO Bond
1-Nov-18	\$ 206,278	\$ 126,011	2013 Revenue & 2018 LTGO Bond*
1-Dec-18	\$ 235,000	\$ 103,619	2010 LTGO Bond

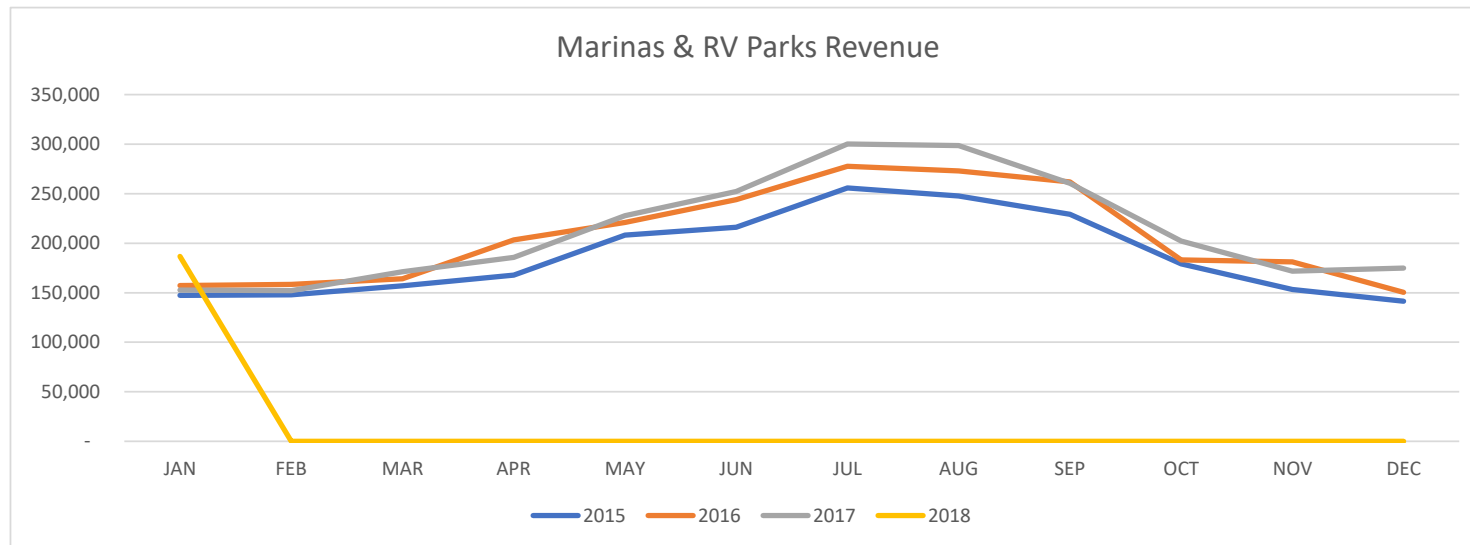
Total \$ 1,074,507 \$ 455,041

Total Principal and Interest \$ 1,529,548

**Note: this includes estimates of an interest only payment for the proposed 2018 bond issuance in the amount of \$122,917. Whether or not there is any debt service for the proposed issuance during 2018 will not be determined until Commission approves which bond option they choose.*

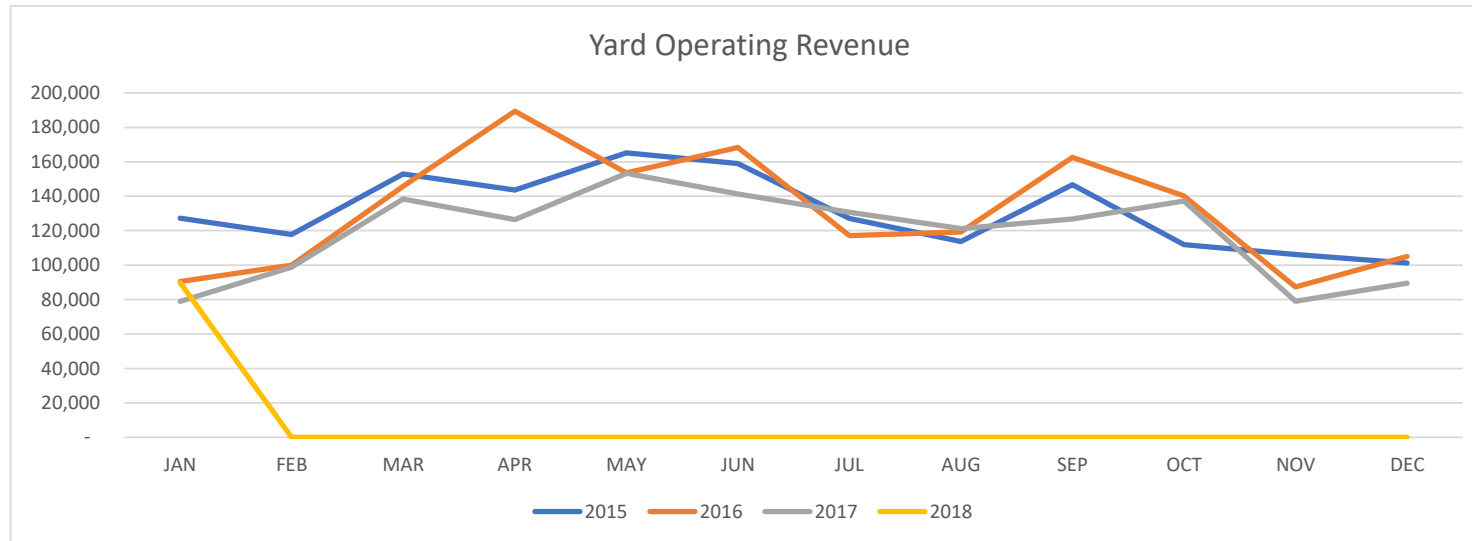
4 Year Trend of Marinas & RV Parks Revenue
Monthly as of January 31, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
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	-	-	-	-	-	-	-	-	-	-	-	186,647



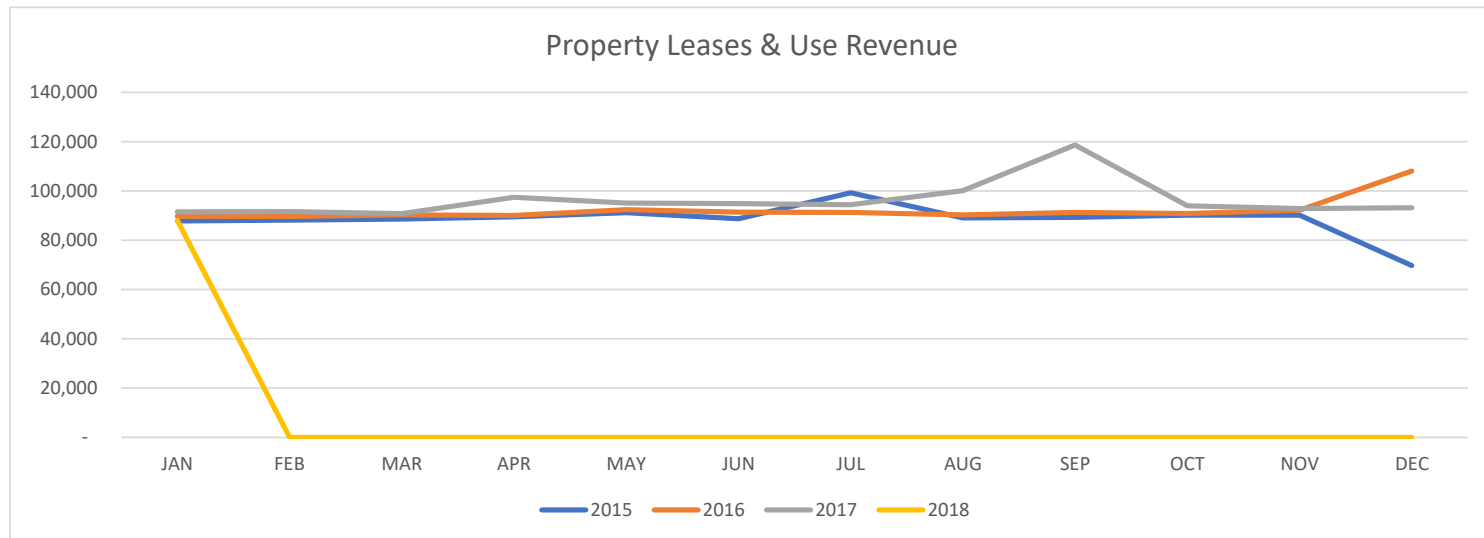
4 Year Trend of Yard Operations Revenue
Monthly as of January 31, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
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	-	-	-	-	-	-	-	-	-	-	-	89,837



4 Year Trend of Property Lease & Use Revenue
Monthly as of January 31, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
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	-	-	-	-	-	-	-	-	-	-	-	88,048

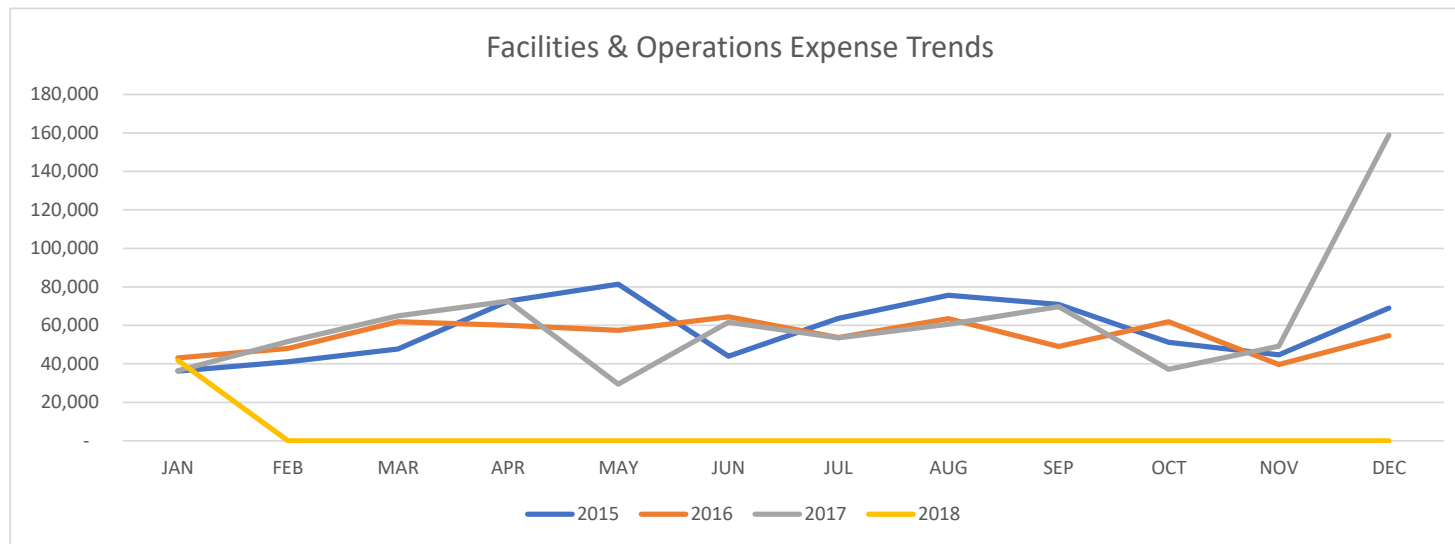


Notes:

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.)

4 Year Trend of Facilities & Operations Expenses
Monthly as of January 31, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
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	-	-	-	-	-	-	-	-	-	-	-	41,842



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