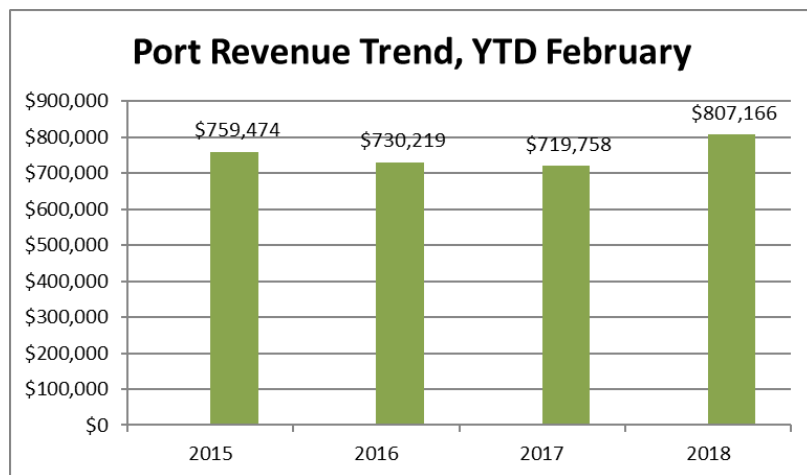


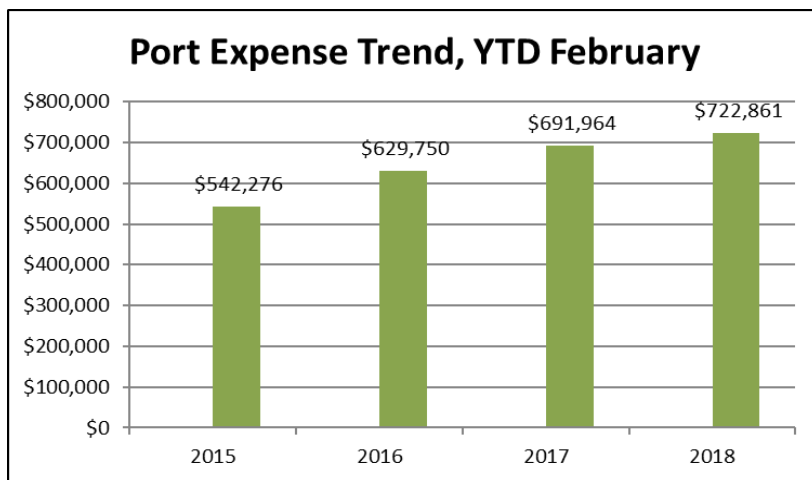
DATE: March 20, 2018
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of February 28, 2018

NOTE: Starting with this month, financial reports to the Commission include a Cashflow report, as requested in the January 24th Commission meeting. This new report is on page 5 of this financial memo.



Revenue Highlights:

- ✓ February YTD is still strong with 2018 Operating Revenues ahead of 2017 \$87,408 or 12%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$33,630.
- ✓ Marinas & RV Parks revenue lead prior year by \$64,075 and are ahead of budget by \$41,615.
- ✓ Yard revenues are ahead of the prior year by \$22,574, but short of budget by \$2,327.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$3,672.
- ✓ Ship Yard revenues are ahead of last year by \$8,795.
- ✓ Increases in both Ship Yard revenues shows the concerted effort made by staff to bring in business.
- ✓ Work Yard Hoist revenues are ahead of last year by \$4,138 and ahead of budget by \$3,840.
- ✓ Work Yard revenues are less than last year by \$4,335, and short of budget by \$12,699.
- ✓ While staff continues to focus on maintaining the various Ship Yard revenues, they are also diligently working on increasing Work Yard revenues.
- ✓ Property Leases & Use are less than the prior year by \$3,369 and less than budget by \$5,865. This is primarily due to tenant vacancies at Point Hudson (Cupola House and Armory Building).
- ✓ Fuel Sales & Leases are below the prior year by \$1,885.
- ✓ Ramp revenues are still ahead of last year by \$1,502.
- ✓ Utilities Revenue are ahead of last year by \$4,511.



Expense Highlights:

- ✓ 2018 Operating Expenses are more than 2017 by \$30,897, though is less than budget by \$96,241.
- ✓ Most of this budget variance is related to unfilled staff positions (CSR II and Security), the projected use of Contract Services, Consulting Services, Utilities and Facilities & Operations whose timing isn't always predictable.
- ✓ Facilities & Operations expenses are more than 2017 by \$13,620, whereas when compared to budget is less by \$18,229. The bulk of this budget variance is less in Repair & Maintenance Supplies than budgeted.
- ✓ Utilities are slightly higher in 2018 than 2017, by \$2,005 and more than projected budget \$2,039. (*The timing issue with receipt of utility invoices which caused a large variance as noted in the January report has been adjusted in the budget.*)
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$1,483.
- ✓ Though Operating Expenses increased when comparing to 2017, these were substantially budgeted and most are below budget YTD.
- ✓

Net Operating Income is \$84,306. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$262,621.

Non-Operating Revenues:

- ✓ Capital Contributions / Grants revenue is 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.
- ✓ A reduction of Miscellaneous Non-Operating Revenue from 2017 to 2018 is due to an Insurance Recovery received early in 2017.

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 \$84,810 in WIP (capital project "Work in Progress"). 47% of these expenses are for the Point Hudson South Jetty Project, 30% was for the JCIA Runway Rehab Project, 15% was for the Stormwater Rx Project, and the remainder was spent on the Yard Office Remodel and the PTBH Water Meters Projects. 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.

Capital Purchases:

Capital purchases made during the period total \$18,639. The down payment for new laundry equipment (Boat Haven and Point Hudson that totaled \$5,154) and heaters for the Shanghai Restaurant (\$8,486) are capital purchases that were planned for out of the Repair/Maint Operating budget. The deposit on the FSM Marina

Management software (\$5,000) is the rest of the purchases for the period, which was budgeted in the Capital Budget.

Cash & Investment balances:

End of month, the cash and investment balances were \$1,777,417. Reserve balances totaled \$892,234 and Unreserved Cash & Investments totaled \$885,183.

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 Feb. 2017	YTD Feb. 2018	Variance to prior year - 2017 v 2018		YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	304,898	368,973	64,075		327,358	41,615
Yard Operations	177,799	200,373	22,574		202,700	(2,327)
Property Leases & Use	183,123	179,754	(3,369)		185,619	(5,865)
Fuel Sales & Leases	4,685	2,800	(1,885)		4,050	(1,250)
Ramp Use	6,515	8,017	1,502		8,800	(783)
Utilities	42,739	47,250	4,511		45,010	2,240
Total Operating Revenues	719,758	807,166	87,408		773,537	33,630
OPERATING EXPENSES						
Salaries & Wages	328,796	335,295	6,499		347,840	(12,545)
Payroll Taxes	42,650	32,943	(9,707)		48,911	(15,968)
Employee Benefits	102,038	124,326	22,288		129,110	(4,784)
Uniform Expense	1,427	354	(1,072)		1,540	(1,186)
Contract Services	47,458	23,011	(24,447)		48,222	(25,211)
Consulting Services	-	15,595	15,595		27,500	(11,905)
Legal & Auditing	12,255	17,694	5,439		21,600	(3,906)
Facilities & Operations	88,004	101,624	13,620		119,853	(18,229)
Utilities	59,222	61,227	2,005		59,189	2,039
Marketing	4,166	6,557	2,391		8,169	(1,612)
Economic Development	-	-	-		-	-
Travel & Training	3,934	3,914	(21)		5,368	(1,455)
Cost of Goods - Fuel	1,805	322	(1,483)		1,800	(1,479)
Community Relations	210	-	(210)		-	-
Total Operating Expenses	691,964	722,861	30,897		819,102	(96,241)
Income from Operations w/o Depr	27,794	84,306	56,512		(45,565)	129,871
Non-Operating Revenue						
Capital Contributions/Grants	4,767	37,977	33,210		70,231	(32,254)
Interest	2,674	2,821	147		1,000	1,821
Property & other taxes	171,201	186,580	15,379		176,001	10,579
Misc Non-Operating Revenue	11,858	3,992	(7,866)		4,750	(758)
Total Non-Operating Revenues	190,499	231,370	40,871		251,982	(20,612)
Non-Operating Expenses						
Bond Interest	59,444	52,955	(6,489)		55,356	(2,401)
Bond Mgmt, Issuance & Misc Exp	160	100	(60)		80	20
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	59,604	53,055	(6,549)		55,436	(2,381)
Net Non-Operating Income (Expense)	130,895	178,315	47,420		196,546	(18,231)
Net Income (Loss)	158,689	262,621	103,932		150,981	111,640

Notes: none

Port of Port Townsend

Cash Flow Management Report

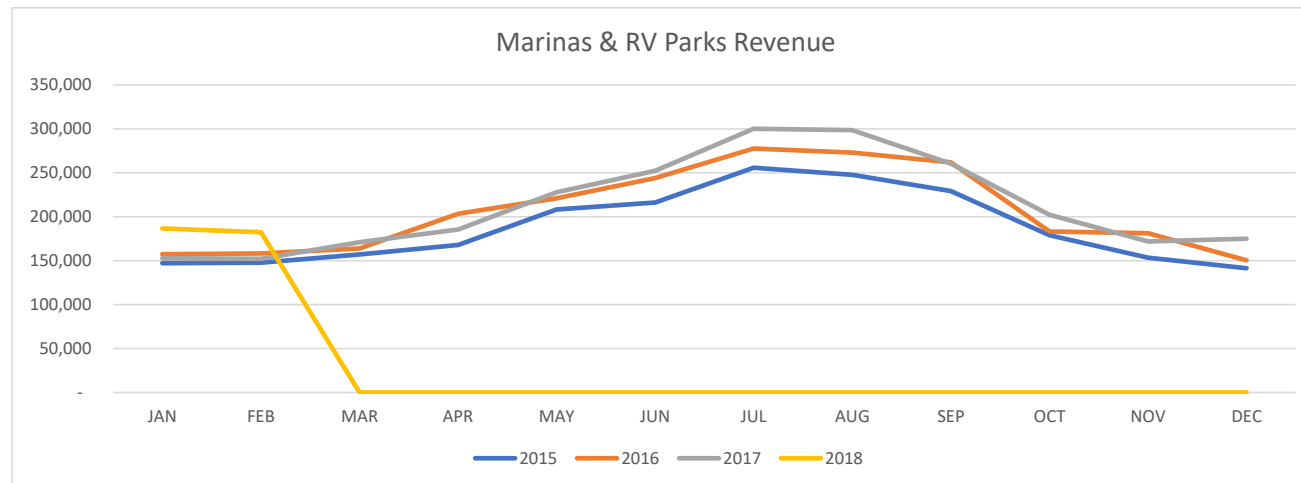
as of February 28, 2018

		<u>YTD February</u>
Net Income w/o Depreciation		262,621
Net change in Accruals to Cash from Balance Sheet*		(220,888)
<u>Less: Capital Expenses:</u>		
Storm-water Rx project	(15,500)	
Point Hudson South Jetty project	(22,938)	
JCIA Runway project	(25,825)	
Yard/Moorage Office Remodel project	(5,096)	
PTBH Water Meters project	(1,900)	
Equipment replacement	(18,639)	
Total Capital Expenditures	<u> </u>	(89,898)
<u>Less: Principal Payments on Debt:</u>		
Point Hudson Refunding Bond	-	
PTBH Marina Bond	-	
Administrative Building Bond	-	
Total Bond Principle payments	<u> </u>	<u> -</u>
Increase (decrease) in Cash Y-T-D		(48,165)
Beginning Cash at 12/31/17		1,825,582
Ending Cash at 2/28/18		1,777,417

**These are current assets and current liabilities.*

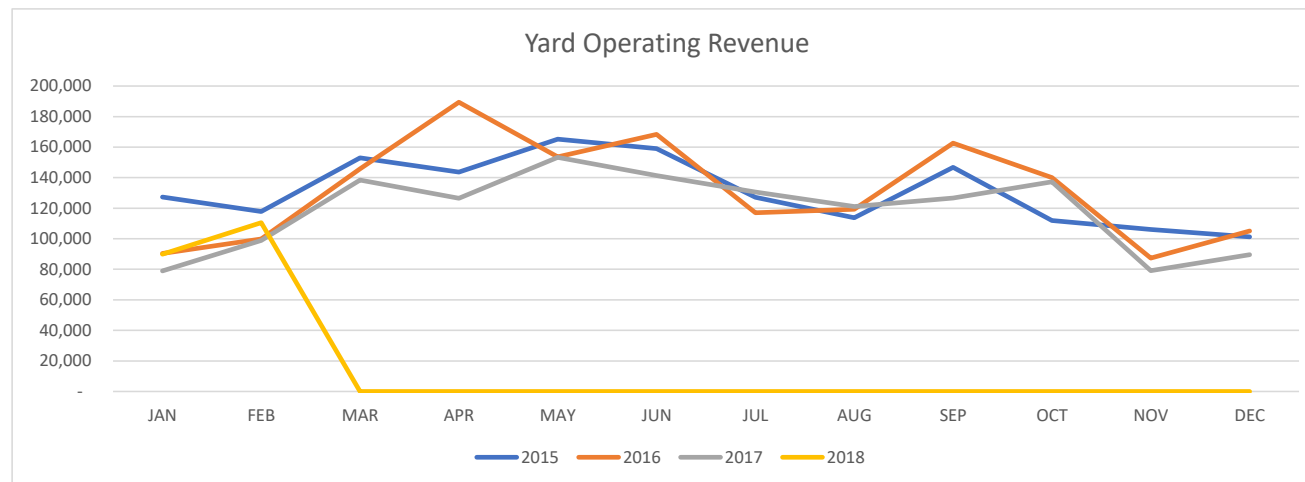
4 Year Trend of Marinas & RV Parks Revenue
Monthly as of February 28, 2018

	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	182,326	-	-	-	-	-	-	-	-	-	-	368,973



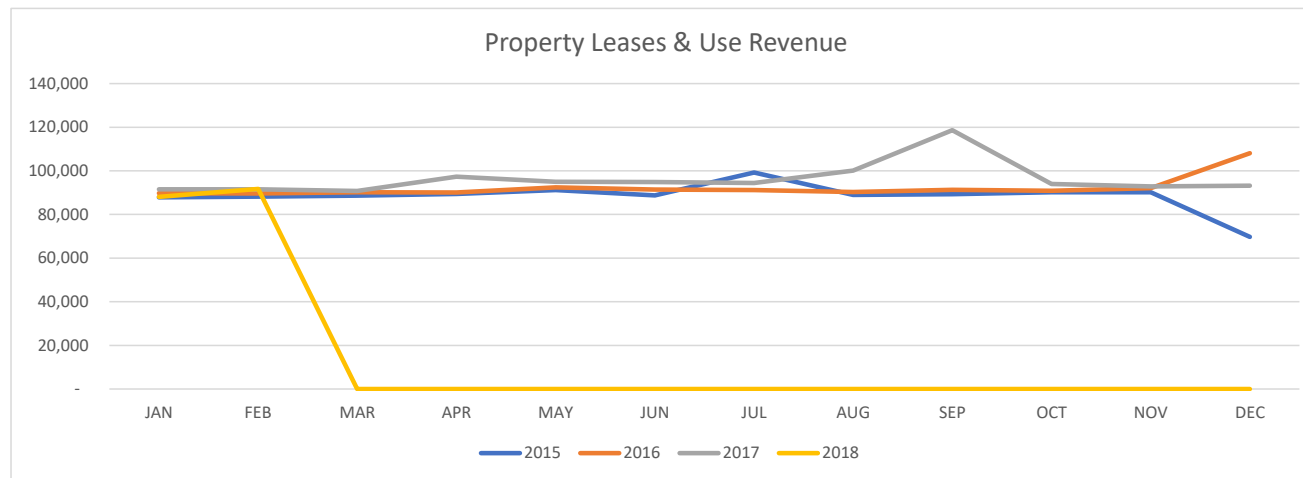
4 Year Trend of Yard Operations Revenue
Monthly as of February 28, 2018

	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	110,536	-	-	-	-	-	-	-	-	-	-	200,373



4 Year Trend of Property Lease & Use Revenue
Monthly as of February 28, 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	91,706	-	-	-	-	-	-	-	-	-	-	179,754

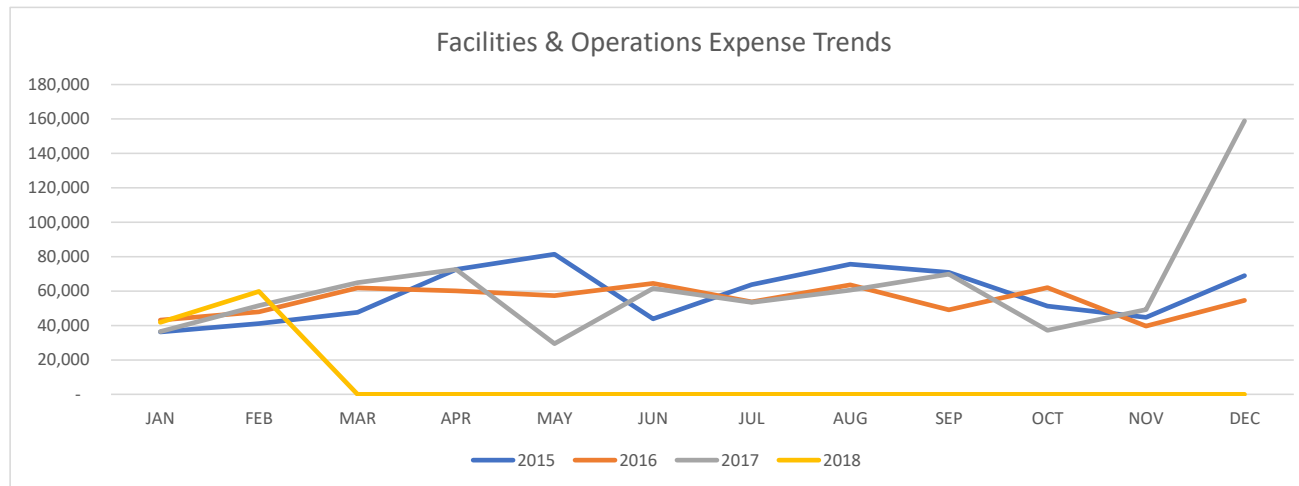


Notes:

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 February 28, 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	59,782	-	-	-	-	-	-	-	-	-	-	101,624



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