

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 6/27/2018
TO: Port Commission
FROM: Sam Gibboney, Executive Director
SUBJECT: Amendment of 2018 Capital Budget

ISSUE

The Commission adopted the 2018 Operating and Capital Budget on November 21, 2017. Staff recommends amending the 2018 Capital Budget to reflect the decision to not proceed with the Point Hudson South Jetty project as well as to authorize staff to carry out other priority projects.

BACKGROUND

The Commission adopted the 2018 Operating and Capital Budget on November 21, 2017, which is attached. On May 23, 2018 the Commission decided not to proceed with the Point Hudson South Jetty Project and as the construction bids exceeded the funding resources available.

In addition, staff has identified additional capital projects and recommends that they be accomplished in this 2018 calendar year. The project descriptions are attached.

An Amended 2018 Capital Budget is attached for Commission consideration. The Amended 2018 Capital Budget shows the variance on projects included in the Adopted 2018 Capital Budget as well as the additional recommended projects and their funding sources.

An amended cashflow is also attached.

DISCUSSION

All of the additional projects are necessary to maintain the structural integrity of Port assets, retain tenants and sustain revenue, or to comply with regulatory mandates.

RECOMMENDATION

Staff recommends that the Commission approve the Amended 2018 Capital Budget and authorize staff to proceed with the identified projects.

ATTACHMENTS

- A. 2018 Adopted Capital Budget
- B. Project descriptions for additional recommended projects
- C. DRAFT 2018 Amended Capital Budget
- D. DRAFT Amended Cash Flow

2018 Final Capital Budget

CAPITAL BUDGET 2018		PLANNED FUNDING SOURCES						Total
		Operating REVENUE	Boat Haven RESERVES	Capital RESERVES	GRANTS	GO BOND	Revenue BOND	
Point Hudson Jetty South								
Engineering, design, permitting, administration	\$91,327				\$91,327			\$91,327
Construction	\$3,512,500				\$797,500	\$2,715,000		\$3,512,500
Jefferson County International Airport Runway								
Engineering, Permitting, Administration	\$262,000			\$13,100	\$248,900			\$262,000
Construction								
Equipment	\$150,000	\$150,000						\$150,000
	2018	Operating REVENUE	Boat Haven RESERVES	Capital RESERVES	GRANTS	GO BOND	Revenue BOND	Total
TOTALS	\$4,015,827	\$150,000	\$0	\$13,100	\$1,137,727	\$2,715,000	\$0	\$4,015,827

The Port
OF PORT TOWNSEND
SERVING ALL OF JEFFERSON COUNTY

**2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

JUNE 27, 2018

**PORT OF PORT TOWNSEND
2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

PROJECT NO.: IA 2015-5

PROJECT NAME: JCIA RUNWAY IMPROVEMENTS

DESCRIPTION: This project involves re-surfacing (re-construction) of the airport's runway. The 2018 portion of the project will provide the design detail and permitting for implementation of the project in 2019.

NEED: This work (runway resurfacing) was identified in the Port's airport planning documents. This planning and identified upgrades are mandated by the FAA to keep the airport in operation.

RANKING: This is a non-discretionary project if the Port intends to continue seeking/applying for FAA funding for rehabilitation and repair. It is necessary to keep this asset in operation, and the project has been given a high priority.

BUDGET: For 2018, to complete Phase I the engineering and permitting are targeted to cost \$262,000 (Phase I). The Federal Government will fund 90% with the State paying 5% and the Port 5%.

STATUS: A contract is in place, and the project is on schedule for permitting and design.

SCHEDULE: This effort will be complete in 2018.



Jefferson County International Airport

**PORT OF PORT TOWNSEND
2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

- PROJECT NO.:** PH 2015-17A
- PROJECT NAME:** POINT HUDSON ADMIN – WDFW AIR SYSTEM IMPROVEMENTS
- DESCRIPTION:** This project involves design and construction of a supplemental heat supply to this building as part of a creosote odor abatement effort. This heating system will introduce fresh air into the building which the existing heating system does not do.
- NEED:** This building has been remodeled at a cost of approximately \$1.3 million. The current tenants, WDFW and US Customs, experience creosote odors sufficient to threaten the continuation of lease(s). While levels of creosote which exist have not been considered a threat to health, they are the subject of complaints from the worker who states "they have to change clothes before entering their home after a day in the building."
- RANKING:** This project is considered important to sustain income from the existing investment in the building and therefore a critical project to meet Port business objectives.
- BUDGET:** An estimated budget for this project is \$95,000 with low confidence given its status (engineering specifications have not been completed).
- STATUS:** While considerable effort has been given to solutions to the creosote problem, no funding has been authorized. Design of the heating system has not been started, and final selection of a coating material has not been made.
- SCHEDULE:** This project should be done in the summer of 2018.
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WDFW Administrative Office at Point Hudson

**PORT OF PORT TOWNSEND
2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

PROJECT NO.: BH 2017-1

PROJECT NAME: WORKYARD RESURFACING

DESCRIPTION: This project is a continuation of the gravel project for 2017. It will remove gravel around physical structures and build grade and gravel interface with sub-surface in several areas in the yard. The exact project will depend on the dollars approved in the capital budget.

NEED: This is necessary to provide a road/workyard surface that is a buffer between the sediment laden "mud" of the base of the workyard and the traveling and working surface. This will assist in meeting stormwater standards, and preserve the life of the multiple stormwater filters.

RANKING: This project is considered a regulatory requirement, and is part of meeting stormwater requirements.

BUDGET: Expect cost of \$100,000.

STATUS: No design/bid specifications have been initiated.

SCHEDULE: To be developed, but work should occur in July - September.



Boat Haven Workyard Resurfacing 2017

**PORT OF PORT TOWNSEND
2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

PROJECT NO.: BH 2018-1

PROJECT NAME: BOAT HAVEN – AO COMPLIANCE

DESCRIPTION: This project involves continuing efforts to meet Stormwater Permit Requirements through continuing stormwater treatment improvements. For 2018, this means consultant and staff time, obtaining Ecology approval(s) for treatment adjustments, treatment testing, materials, and supplies.

Data show that fine particulate soil particles are passing the filters. Anticipated efforts by consultants and staff will focus on the potential addition of a coagulating polymer (Chitosan) to the system ahead of the filters – thus making the particles larger and improving the filter removal efficiency (particulates and metals).

This will require some laboratory analysis (pilot efforts) before deployment of the chemical. Also, the chemical addition will require formal Ecology approval as a treatment technique. Final expenses before the fall rainy season, will be deployment of the polymer. Plans now call for use of suspended “sacks” of a form of the polymer.

NEED: Compliance with Stormwater Permit requirements continues to be an issue for the Port. An Administrative Order continues to be in place requiring treatment changes. Despite treatment improvements in 2016 and 2017, water quality benchmarks are not being met at this time in one of the sub-basins. Staff and consultants continue to communicate with Ecology on past performance and future actions. Port staff and consultants continue to analyze system data, understand system issues, and improve treatment performance.

RANKING: This project is considered critical because of the regulatory requirements and boatyard/shipyard dependence this system’s performance.

BUDGET: Budget for this effort is estimated at \$82,000.

STATUS: This project is a continuation of efforts of 2017 and is ready for implementation.

SCHEDULE: Summer and Fall of 2018.

**PORT OF PORT TOWNSEND
2018 CAPITAL BUDGET AMENDMENT
PROJECT DESCRIPTIONS**

PROJECT NO.: QM 2017-14

PROJECT NAME: COAST OYSTER ROOF REPAIR

DESCRIPTION: The Coast Seafoods building located in Quilcene is a two-story, 60' wide by 68' long building. The re-roofing project is for the entire building. This building is a steel frame structure. The work includes installing new roofing over existing roofing, a ridge cap and ventilator flashing.

NEED: This improvement is needed to maintain business conditions for the tenant and to protect the asset.

RANKING: This project is considered critical maintenance and within return on investment expectations of the existing lease.

BUDGET: \$48,000 with a relatively high confidence given the project status.

STATUS: The project has been evaluated, estimated, and contract bid documents have been developed.

SCHEDULE: May – September 2018



Coast Seafoods Building at Quilcene

DRAFT 2018 AMENDED CAPITAL BUDGET	Adopted Budget	Mid Year Amendments	Mid Year Budget Amended	PLANNED FUNDING SOURCES					Total	
				Operating REVENUE	Boat Haven RESERVES	Capital RESERVES	GRANTS	GO BOND		Revenue BOND
Point Hudson Jetty South										
Engineering, design, permitting, administration	91,327	75,287	166,614	132,803			33,811			166,614
Construction	3,512,500	(3,512,500)	-							-
Jefferson County International Airport Runway										
Engineering, Permitting, Administration	262,000		262,000			13,100	248,900			262,000
Construction										
Equipment	150,000	(75,000)	75,000	75,000						75,000
WDFW Air system		95,000	95,000	95,000						95,000
Boat Haven Workyard Surface		100,000	100,000	100,000						100,000
Boat Haven Stormwater (AO Compliance)		82,000	82,000	82,000						82,000
Coast Seafood Roof (est. \$48k)		48,000	48,000	48,000						48,000
TOTALS	\$4,015,827	(\$3,187,213)	828,614	532,803	\$0	\$13,100	\$282,711	\$0	\$0	828,614

Projected Cashflow for 2018 through 2021

MID YEAR BUDGET AMENDMENT

The Commission will be asked to approved a 5 year capital plan during the 2019 budget process and the subsequent cashflow will change at that time.

	2018 Budgeted Cashflow - ORIGINAL	notes	Mid Year Budget Amendments	2018 Amended Budgeted Cashflow	2019 Budgeted Cashflow	2020 Budgeted Cashflow	2021 Budgeted Cashflow
Estimated Beginning Year Cash							
Unreserved Cash	847,692	1	105,656	953,348	707,655	1,146,848	1,683,109
Reserved Cash	882,234	1	(10,000)	872,234	979,134	1,000,152	1,120,152
Operating Revenues	5,875,075		-	5,875,075	6,051,327	6,232,867	6,419,853
Operating Expenses (w/o depreciation)	(5,260,645)		-	(5,260,645)	(5,418,464)	(5,581,018)	(5,748,449)
Non-Operating Revenues	2,304,727	2	(821,205)	1,483,522	4,922,180	1,065,900	1,065,900
Non-Operating Expenses	(447,307)	3	113,680	(333,627)	(300,588)	(276,488)	(250,888)
Debt service - principle	(1,074,504)		-	(1,074,504)	(715,000)	(755,000)	(785,000)
Issuance of Bond Debt	3,200,000	4	(3,200,000)	-	-	-	-
Capital expenses (from Grants)	(1,137,727)	5	855,016	(282,711)	(3,856,280)	-	-
Capital expenses (from Operating Revenue)	(150,000)	6	(382,803)	(532,803)	(123,982)	(30,000)	(60,000)
Capital expenses (from Bonds)	(2,715,000)	7	2,715,000	-	-	-	-
Capital expenses (from Reserves)	(13,100)		-	(13,100)	(98,982)	-	-
Increase/(Decrease) in cash	581,519		(720,312)	(138,793)	460,211	656,261	641,416
Total Estimated Ending Cash	2,311,445		(624,656)	1,686,789	2,147,000	2,803,261	3,444,677
Unreserved Cash	1,332,311		(624,656)	707,655	1,146,848	1,683,109	2,204,525
Reserved Cash	979,134		-	979,134	1,000,152	1,120,152	1,240,152
TOTAL	2,311,445		(624,656)	1,686,789	2,147,000	2,803,261	3,444,677

Notes & Assumptions:

- Adjustments to beginning cash balances were made to actuals at year end.
- Non-Operating Revenues were reduced by the budgeted RCO grant for the PH South Jetty (\$855,016) and the recognized grant reimbursement received through February (\$33,811) and paid in April.

3. Non-Operating Expenses were reduced by the amount estimated for the interest portion of the wrapped debt to pay for the PH South Jetty project that was under consideration during the budget process last fall. At that time, only interest was estimated to be due in that scenario until 2025 and is reduced here in 2018, 2019, 2020 and 2021.
4. Reduction for the bond that was indefinitely post-poned by the Commission in the April 23, 2018 regular business meeting.
5. The reduction in capital expenses funded by grants is for the PH South Jetty project.
6. These are the changes in proposed capital work, per the Capital Budget. In addition, this line item originally stated "from Unreserved Cash" and here has been changed to "from Operating Revenue", which is essentially the same.
7. This removes the cost of the PH South Jetty that was estimated to be paid for with the bond.