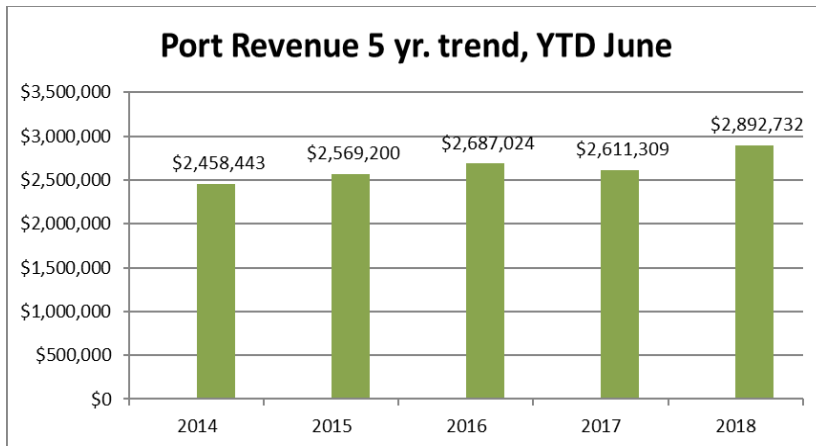


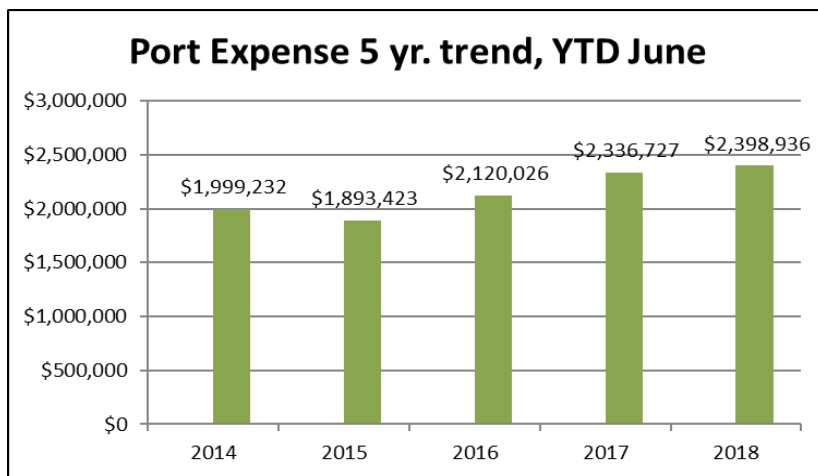
**DATE:** July 20, 2018  
**TO:** Commissioners and Directors  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Port Operating Results as of June 30, 2018

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**Revenue Highlights:**

- ✓ Operating Revenues continue to surpass YTD revenues when compared to 2017, as well as the last four (4) years. June YTD 2018 are ahead of 2017 by \$281,423 or 11%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$43,732.
- ✓ Marinas & RV Parks revenue lead prior year by \$169,461 and are ahead of budget by \$70,587.
- ✓ Yard revenues are ahead of the prior year by \$117,547, but short of budget by \$19,563. Ambitious goals were set for the Yard and though slightly shy of budget, are doing quite well. Historically, 2014 had the strongest Yard revenues in the last five (5) years and YTD, 2018 is only \$20,469 less than 2014 YTD. Essentially, all Yard revenue line items are exceeding 2017 YTD.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$33,317, and ahead of budget by \$15,813.
- ✓ Ship Yard revenues are ahead of last year by \$31,608, and below budget by \$32,499.
- ✓ Work Yard Hoist revenues continue to be ahead of last year (by \$18,124) and are also being ahead of budget by \$15,992.
- ✓ Work Yard revenues also continue to be ahead of 2017 at \$8,799, though short of budget by \$20,599.
- ✓ It appears the discounts advertised for the Work Yard and staff actively seeking Ship Yard customers is positively effecting Yard revenues.
- ✓ Property Leases & Use Revenues continue to be less than the prior year (\$11,259); this only grew slightly over May, an increase of \$1,390. Even though PTBH Properties are more than 2017 by \$12,047, this increase is offset by the decrease in Point Hudson Properties (\$27,997) which is primarily due to tenant vacancies at Point Hudson (Cupola House and Armory Building). Clearly vacancies need to be filled.
- ✓ Fuel Sales & Leases continue to lag when compared to YTD 2017 (decrease of \$2,070), however this is only short of budget by \$565. PTBH is doing well historically and in alignment with budget, and JCIA is ahead of YTD 2017 and budget, but Quilcene is falling short. Some of this is due to the shut-down of about a month and a half when there was a necessary fuel dispenser part replacement and there was difficulty obtaining the parts.
- ✓ Ramp revenues are less than YTD 2017 by \$2,009 and less than budget by \$2,928. Primarily this decrease is due to reductions in the amount of Commercial Use Fees and this is directly related to tribal openings. June of 2017 had openings whereas 2018 did not have one until July.
- ✓ Utilities Revenue are ahead of last year by \$11,144 and ahead of budget by \$7,464.



#### **Expense Highlights:**

- ✓ Total YTD 2018 Operating Expenses are more than 2017 by \$62,209, and below budget by \$199,267.
- ✓ Most of this budget variance is related to the timing of Contract Services (\$45,971), unfilled staff positions (CSR II wasn't filled until March 16<sup>th</sup>, and Security shifted from Personnel to Contract Services). The projected use of Contract Services, Consulting Services, Legal & Auditing, 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 June 49% (\$33,472) has been expensed for capital work.
- ✓ The consultant with whom the Port contracted, in part, for capital work was budgeted at 100% in Operations (\$90,000), however, YTD June 16% of those expenses (\$4,418) have been charged to capital work with the remainder in Operations. YTD June, 32% of the total contract has been used.
- ✓ Facilities & Operations expenses are more than 2017 by \$28,478, and compared to budget are less by \$31,845. The bulk of this budget variance is less in Repair & Maintenance Materials/Supplies than budgeted.
- ✓ Utilities continue to be higher in 2018 than 2017 (\$27,098) and more than projected budget (\$28,407).
- ✓ Marketing expenses are slightly more than in 2017 (\$1,697), though below projected budget by \$26,514. This line item is less than budget YTD primarily because of the time period anticipated to implement a new website.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$2,903, which is in alignment with the reductions in fuel sales noted on the revenue side (Quilcene).

YTD Net Operating Income is \$493,796. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,006,697.

#### **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. The actual timing of grant reimbursement revenues are not in alignment with budget, however, this is not unusual.

#### **Non-Operating Expenses:**

- ✓ It should be noted that the Miscellaneous Non-Operating expense for 2017 includes Quilcene Feasibility Study expenses.
- ✓ In addition, in accordance with the amortization of current debt, the Port's bond interest is less in 2018 when compared to 2017.

#### **Capital Projects:**

This month, the Port expended \$25,320 in WIP (capital project "Work in Progress"). 87% of these expenses are for the Point Hudson South Jetty Project. The remainder was spent on the JCIA Runway Rehab Project.

#### **Capital Purchases:**

There were no capital purchases made during June.

**Debt Service Obligations:**

On June 1<sup>st</sup>, the Port paid \$103,619 in interest on the 2010 LTGO Bond. For the remainder of 2018, the following debt service obligations must be met:

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

Together the remaining debt service payments for 2018 total \$1,035,816 (\$871,278 of this amount is principal).

**Cash & Investment balances:**

End of month, the cash and investment balances were \$2,407,890. Reserve balances totaled \$932,234 and Unreserved Cash & Investments totaled \$1,475,656.

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

	YTD June 2017	YTD June 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
<b>REVENUES</b>						
Marinas and RV Parks	1,141,702	1,311,163	169,461		1,240,576	70,587
Yard Operations	737,319	854,867	117,547		874,430	(19,563)
Property Leases & Use	561,142	548,493	(12,649)		559,756	(11,263)
Fuel Sales & Leases	17,605	15,535	(2,070)		16,100	(565)
Ramp Use	34,081	32,072	(2,009)		35,000	(2,928)
Utilities	119,459	130,602	11,144		123,138	7,464
<b>Total Operating Revenues</b>	<b>2,611,309</b>	<b>2,892,732</b>	<b>281,423</b>		<b>2,849,000</b>	<b>43,732</b>
<b>OPERATING EXPENSES</b>						
Salaries & Wages	1,036,037	1,012,886	(23,151)		1,061,604	(48,718)
Payroll Taxes	106,605	105,724	(881)		148,825	(43,101)
Employee Benefits	346,629	373,855	27,226		388,367	(14,512)
Uniform Expense	3,833	904	(2,929)		4,711	(3,807)
Contract Services	164,923	118,952	(45,971)		146,086	(27,134)
Consulting Services	20,958	33,455	12,498		82,500	(49,045)
Legal & Auditing	61,334	100,677	39,342		64,800	35,877
Facilities & Operations	316,564	345,041	28,478		376,886	(31,845)
Utilities	242,269	269,368	27,098		240,961	28,407
Marketing	17,496	19,193	1,697		45,707	(26,514)
Economic Development	-	-	-		15,000	(15,000)
Travel & Training	12,916	15,236	2,320		15,955	(719)
Cost of Goods - Fuel	6,548	3,645	(2,903)		6,800	(3,155)
Community Relations	615	-	(615)		-	-
<b>Total Operating Expenses</b>	<b>2,336,727</b>	<b>2,398,936</b>	<b>62,209</b>		<b>2,598,203</b>	<b>(199,267)</b>
<b>Income from Operations w/o Depr</b>	<b>274,582</b>	<b>493,796</b>	<b>219,215</b>		<b>250,797</b>	<b>242,999</b>
<b>Non-Operating Revenue</b>						
Capital Contributions/Grants	12,410	76,119	63,709		144,376	(68,257)
Interest	24,915	26,403	1,489		19,000	7,403
Property & other taxes	504,898	530,897	25,999		521,002	9,894
Misc Non-Operating Revenue	24,470	37,202	12,733		13,620	23,582
<b>Total Non-Operating Revenues</b>	<b>566,692</b>	<b>670,621</b>	<b>103,929</b>		<b>697,998</b>	<b>(27,377)</b>
<b>Non-Operating Expenses</b>						
Bond Interest	176,514	157,421	(19,093)		166,068	(8,647)
Bond Mgmt, Issuance & Misc Exp	11,027	300	(10,727)		755	(455)
Election Expense	-	-	-		-	-
<b>Total Non-Operating Expenses</b>	<b>187,541</b>	<b>157,721</b>	<b>(29,820)</b>		<b>166,823</b>	<b>(9,102)</b>
<b>Net Non-Operating Income (Expense)</b>	<b>379,151</b>	<b>512,901</b>	<b>133,750</b>		<b>531,175</b>	<b>(18,274)</b>
<b>Net Income (Loss)</b>	<b>653,733</b>	<b>1,006,697</b>	<b>352,964</b>		<b>781,972</b>	<b>224,725</b>

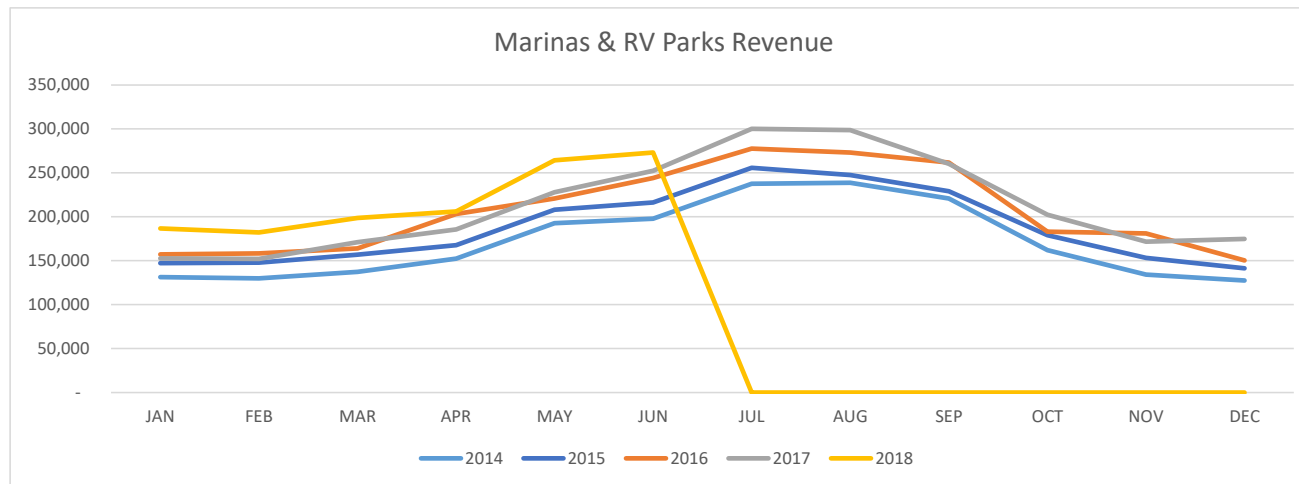
**Notes: none**

	<u>YTD June</u>
<b>Net Income w/out Depreciation</b>	<b>1,006,697</b>
<b>Net Change in Accruals from Balance Sheet*</b>	<b><u>114,564</u></b>
<b>Less: Capital Expenses:</b>	
Storm-water Rx project	(46,126)
Point Hudson South Jetty project	(171,699)
JCIA Runway Rehabilitation project	(59,422)
Yard/Moorage Office Remodel project ( <i>completed April</i> )	-
PTBH Restroom project ( <i>on hold</i> )	-
PTBH Water Meters project	(1,900)
Land	-
Buildings	-
Improvements	(31,092)
Equipment replacement	(25,485)
<b>Total Capital Expenses</b>	<b><u>(335,724)</u></b>
<b>Less: Principal Payments on Debt:</b>	
Point Hudson Marina Refunding Bond ( <i>2015 LTGO Bond</i> )	-
PTBH Marina Bond ( <i>2010 LTGO Bond</i> )	-
Administrative Building Bond ( <i>2013 Revenue Bond</i> )	(203,229)
<b>Total Principal Payments</b>	<b><u>(203,229)</u></b>
<b>Increase (Decrease) in Cash Y-T-D</b>	<b>582,308</b>
<b>Beginning Cash at 1/1/2018</b>	<b>1,825,582</b>
<b>Ending Cash at 6/30/18</b>	<b><u><u>2,407,890</u></u></b>

*\*These are current assets and current liabilities.*

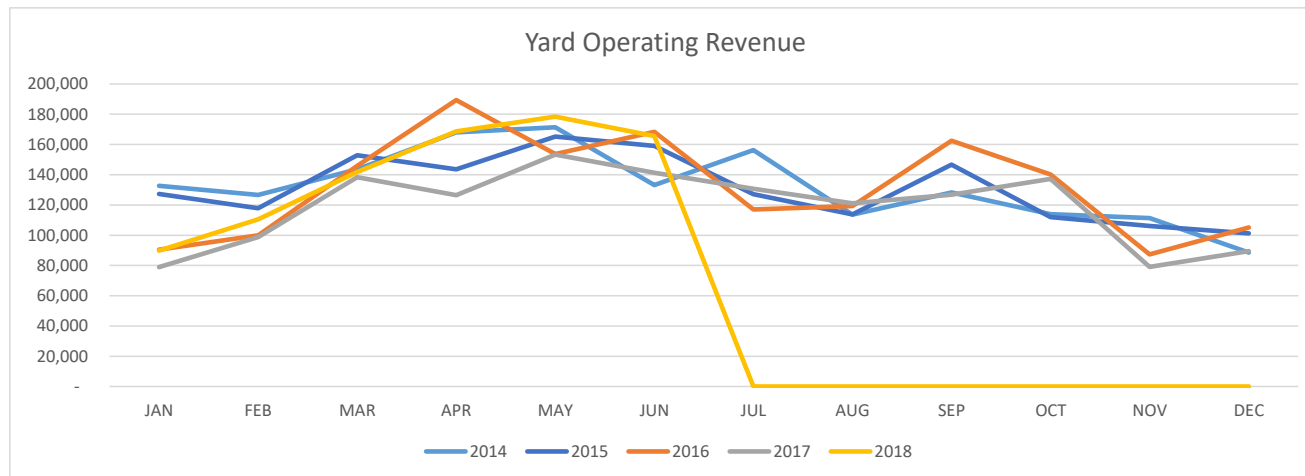
**5 Year Trend of Marinas & RV Parks Revenue**  
**Monthly as of June 30, 2018**

	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	264,186	273,174	-	-	-	-	-	-	1,311,163



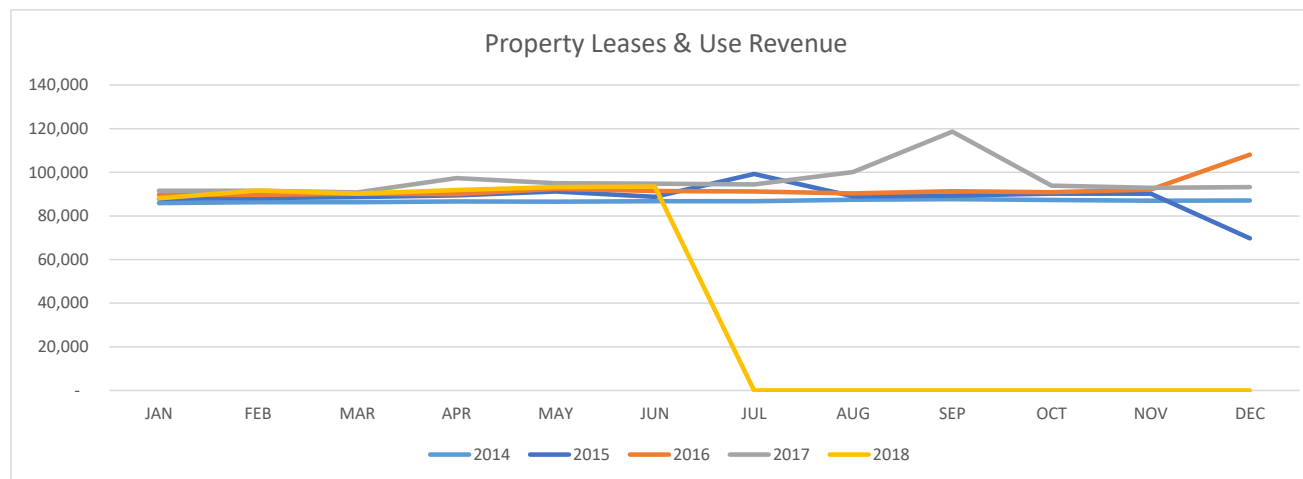
**5 Year Trend of Yard Operations Revenue**  
**Monthly as of June 30, 2018**

	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	178,411	165,553	-	-	-	-	-	-	854,867



**5 Year Trend of Property Lease & Use Revenue**  
**Monthly as of June 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	93,216	93,436	-	-	-	-	-	-	548,493



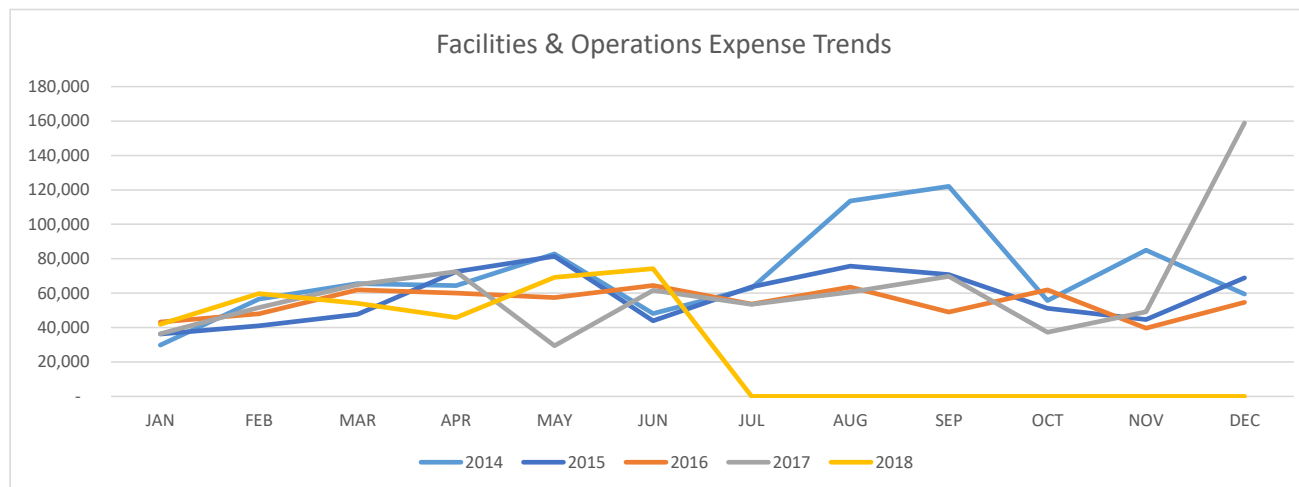
**Notes:**

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 June 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	69,193	74,217	-	-	-	-	-	-	345,041



**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).