

*The Port*  
OF PORT TOWNSEND  
SERVING ALL OF JEFFERSON COUNTY

Port of Port Townsend  
2<sup>nd</sup> Monthly Business Meeting  
Wednesday, July 25, 2018, 5:30 p.m.  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Public Comments
- IV. Consent Agenda
  - A. Approval of Public Workshop Minutes – July 11, 2018.....1-2
  - Approval of Regular Meeting Minutes – July 11, 2018.....3-6
  - Approval of Special Public Workshop Minutes – July 18, 2018.....7-8
  - Approval of Special Meeting Minutes – July 18, 2018.....9-10
  - B. Resolution No. 684-18 – Authorizing Sale of Abandoned Vessel.....11
  - C. Approval of Warrants
- V. Second Reading
- VI. First Reading
- VII. Regular Business
  - A. Adoption of Proposed Budget Process & Schedule.....12-13
  - B. Creation of Leasing Policy Advisory Committee.....14-15
  - c. June 2018 Financials.....16-25
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Public Workshop / Business Meeting:  
PUBLIC WORKSHOP: Wednesday, August 8, 2018, 9:30 am  
BUSINESS MEETING: Wednesday, August 8, 2018, 1:00 pm  
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Executive Session
  - A. Potential Litigation, pursuant to RCW 42.30.110 (1) (i)
- XII. Adjournment

**PORT COMMISSION PUBLIC WORKSHOP – July 11, 2018**

The Port of Port Townsend Commission met for a Public Workshop in the Port Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners Tucker, Hanke & Putney  
Executive Director Gibboney  
Director of Operations & Business Development Englin  
Director of Planning/In-house Counsel Toews  
Communications Coordinator Matej  
Attorney Chmelik  
Recorder Nelson/Matej

I. CALL TO ORDER:

Commissioner Tucker called the Workshop to order at 9:30 a.m.

II. AGENDA:

Refer to attached workshop agenda for items discussed.

IV. ADJOURNMENT:

The Workshop adjourned at 11:37 a.m.

ATTEST:

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Stephen R. Tucker, President

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William W. Putney III, Secretary

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Peter W. Hanke, Vice President

**Port of Port Townsend  
Public Workshop  
Wednesday, July 11, 2018, 9:30 am  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA**

**AGENDA**

- **Leasing Policy**

Continued discussions on the draft Leasing Policy.

Note: This is a Public Port Commission Workshop. Workshops are for information sharing only and no decisions will be made during the session. Public input may be taken at the Commissions' discretion.

## PORT COMMISSION REGULAR MEETING & PUBLIC HEARING – July 11, 2018

The Port of Port Townsend Commission met in regular session at the Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners – Tucker, Hanke and Putney  
Executive Director Gibboney  
Director of Operations & Business Development Englin  
Communications Coordinator Matej  
Minutes – Matej  
Attorney Chmelik (via Skype)

### I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 1:00 p.m.

### II. APPROVAL OF AGENDA:

Commissioner Tucker proposed the following addition to the agenda after the reading of the Consent Agenda: *PUD Executive Director Larry Dunbar and Commissioner Kenneth Collins to provide a presentation on Broadband.*

Director Gibboney proposed the following changes to Executive Session: *Removal of Item A - Potential Litigation, and replace Item A with: Consideration of the minimum price at which real estate will be offered for lease, pursuant to RCW 42.30.110 (c). After discussion with Attorney Chmelik, the addition to VIII, Regular Business, Item A – Discussion of Factors that May Affect the Lease Price (Department of Fish & Wildlife Lease – discussion related to Duty and Cure of Clause and Self Help).*

**Commissioner Putney moved to approve the Agenda as amended.**

**Commissioner Tucker seconded the motion.**

**Motion carried by unanimous vote.**

### III. PUBLIC COMMENTS (00:04:45):

Melinda Bryden commented on the 2018 Commission-approved budget and asked for accolades to Port staff for increasing revenue.

George Yount, representing the Local 20/20 group, discussed Sea Level Rise and presented a Sea Level Rise map for 2050.

### IV. CONSENT AGENDA (00:08:42):

A. Approval of Public Workshop Minutes – June 27, 2018

Approval of Regular Meeting Minutes – June 27, 2018

B. Approval of Warrants

Warrant #059268 through #059279 in the amount of \$58,433.66 for Payroll & Benefits

Electronic Payment in the amount of \$101,540.04 for Payroll & Benefits

Warrant #059280 through #059329 in the amount of \$105,176.85 for Accounts Payable

Electronic Debit in the amount of \$19,433.98 for WA State Dept. of Labor & Industries

2<sup>nd</sup> Quarter Tax Return for April-June 2018

**Commissioner Hanke moved to approve the Consent Agenda as presented.**

**Commissioner Putney seconded the motion.**

**Motion carried by unanimous vote.**

PUD PRESENTATION (00:09:00):

PUD Commissioner Kenneth Collins introduced "relatively new" PUD General Manager Larry Dunbar. Commissioner Collins explained their purpose is to seek support and involvement from the Port Commission, followed by a briefing on PUD's plans to apply for a State planning grant to extend Broadband throughout Jefferson County.

PUD General Manager Dunbar further explained this is a CERB Grant and again, asked for a letter of support from the Port Commission. He described PUD's plans in further detail.

Commissioner Tucker spoke in support of PUD's efforts. Commissioner Putney explained the RCW that gives all Public Ports the authority to construct Broadband facilities for wholesale only, not retail. Discussion ensued. Commissioners agreed unanimously to issue a letter of support. Director Gibboney confirmed she would draft a letter of support to the PUD, with the Chair's signature on behalf of the Port Commission.

V. PUBLIC HEARING – 2018 CAPITAL BUDGET AMENDMENT (00:23:48):

At 1:23 pm, Commissioner Tucker called the Public Hearing on the 2018 Capital Budget Amendment. He read the rules of the hearing, drawing attention to the signup sheet, where no members of the public signed up for comments. (However, The Commission received comments earlier, via email from Liz Hoenig-Kanieski and Charley Kanieski.) Hearing no comments, the Public Hearing was closed at 1:25 pm.

V. SECOND READING (Action Items):

A. 2018 Capital Budget Amendment (00:25:18):

Director Gibboney discussed the proposal to amend the 2018 Capital Budget, to include the following additional projects: Stormwater compliance - to include additional engineering and sand filters, WA Dept. of Fish & Wildlife (WDFW) air system and air quality improvements, improvements to workyard surface (gravel), and the repair of Coast Seafoods' roof. The amount has decreased for equipment purchase from \$150K to \$75K. Point Hudson Jetty South project, the money has already been spent/obligated and the airport runway design budget is unchanged. She explained the decrease to the cash flow.

Director Gibboney explained the Projected Cash-flow sheet and amended budget sheet. Commissioner Tucker confirmed the budget would decrease from \$2.3M to \$1.6M. Director Gibboney explained to the Commission adoption of this budget would authorize staff to move forward with these projects, and contracts would be presented to the Commission.

Commissioner Tucker discussed the fact that none of the project improvements in the amended budget creates new revenue. Discussion ensued. Discussion then ensued on vacancies. Commissioner Tucker discussed the need to create new revenue.

Director Gibboney stressed the priorities are Administrative Order (stormwater) compliance, Coast Seafood roof and WDFW lease.

Discussion ensued on the low cash flow. Director Gibboney stated she is checking with a bank on a line of credit. Discussions continued, including capital and maintenance

budgets, contingency plans, amending the budget in the middle of the year, replacing retiring staff, roof repairs, a systematic capital repair & replacement plan (different than the draft plan created in 2015), etc. Director Gibboney stated staff continues to try to bolster the Port's cash position. Discussions continued.

Director Gibboney stated year-to-date the Port is 5% over on operating revenue and net income is 154% over budget.

**Commissioner Hanke moved to adopt the 2018 Capital Budget Amendment as presented.**

**Commissioner Tucker seconded the motion.**

**Motion carried by unanimous vote.**

VI. FIRST READING (Discussion Only):

VII. REGULAR BUSINESS:

A. Factors That May Affect Acceptable Minimum Price of Lease (00:54:39):

Director Gibboney explained that Consideration of the Minimum Price at Which Real Estate will be Offered for Lease is scheduled for discussion in Executive Session, but factors are to be discussed in public session. These include Duty to Cure, Self-help clause, and Termination. Director Gibboney reminded that these items were previously discussed: Duty to Cure is obligation for Port to maintain certain repairs and upgrades to building; Self-Help clause covers tenant – if they feel building is not being maintained, they can do the repairs and receive a lease credit; and, Termination clause. She reminded that these are factors to be considered during the discussion in Executive Session.

VIII. STAFF COMMENTS (00:55:50):

Mr. Englin discussed a couple of possible vessel auctions/derelicts. Yard thinning out, will go out and promote business. Reported positive feedback from trades on revised yard rate structure.

Director Gibboney discussed this evening's PTMTA meeting, where at least two Port commissioners are attending. Attorney Chmelik weighed in. He recommended calling a Special Meeting so that Commissioners could sit together and discuss. Consensus to call the Special Meeting.

IX. COMMISSIONER COMMENTS (01:06:00):

Commissioner Putney briefed on an NODC "field trip" he attended.

Commissioner Tucker talked about a community meeting that he and Director Gibboney attended. He brought up a discussion he had there with a former hospital director, who talked about having five commissioners instead of three.

X. NEXT SPECIAL MEETING/PUBLIC WORKSHOPS/REGULAR MEETING:

**SPECIAL MEETING:** Thursday, July 12, 2018, 5:30 – 7:30 pm. Northwest Marine Trades Association's presentation of their Economic Impact Study to Jefferson County, Northwest Maritime Center, 431 Water Street, Port Townsend

**PUBLIC WORKSHOP:** Wednesday, July 18, 2018, 1:00 pm, Port Commission Bldg., 333 Benedict Street, Port Townsend

**PUBLIC WORKSHOP:** Wednesday, July 25, 2018, 3:00 pm, Port Commission Bldg.

**REGULAR MEETING:** Wednesday, July 25, 2018, 5:30 pm, Port Commission Bldg.

XI. EXECUTIVE SESSION:

The regular session recessed at 2:08 pm for the Executive Session, which began at 2:14 pm to discuss: A) Consideration of the minimum price at which real estate will be offered for lease, pursuant to RCW 42.30.110 (c), and B) to Review the Performance of a Public Employee, pursuant to RCW 42.30.110 (g), duration of sixty minutes, no decisions.

At 3:06 pm, the session was extended sixty minutes.

At 4:06 pm, the session was extended sixty minutes.

XII. ADJOURNMENT:

The meeting reconvened and adjourned at 5:00 pm there being no further business to come before the Commission.

ATTEST:

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William W. Putney, III, Secretary

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Stephen R. Tucker, President

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Peter W. Hanke, Vice President

**PORT COMMISSION PUBLIC WORKSHOP – July 18, 2018**

The Port of Port Townsend Commission met for a Public Workshop in the Port Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners Tucker, Hanke & Putney  
Executive Director Gibboney  
Port Auditor Berg  
Recorder Nelson

I. CALL TO ORDER:

Commissioner Tucker called the Workshop to order at 1:00 p.m.

II. AGENDA:

Refer to attached workshop agenda for items discussed.

Public Comment received from Carol Hasse, Chris Sanok, Lynn Terwoerds and Gwendolyn Tracy.

IV. ADJOURNMENT:

The Workshop adjourned at 1:44 p.m.

ATTEST:

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Stephen R. Tucker, President

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William W. Putney III, Secretary

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Peter W. Hanke, Vice President



**Port of Port Townsend  
SPECIAL MEETING: Public Workshop  
Wednesday, July 18, 2018, 1:00 pm  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA**

**AGENDA**

- **Discussion and Review of Proposed Budget Process and Schedule**

Note: This is a Public Port Commission Workshop. Workshops are for information sharing only and no decisions will be made during the session. Public input may be taken at the Commissions' discretion.

## PORT COMMISSION SPECIAL MEETING– July 18, 2018

The Port of Port Townsend Commission met in regular session at the Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners – Tucker, Hanke and Putney  
Executive Director Gibboney  
Auditor Berg  
Attorney Chmelik (via Skype audio)  
Minutes – Nelson

### I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 2:30 p.m.

### II. APPROVAL OF AGENDA:

**Commissioner Hanke moved to approve the Agenda as presented.**

**Commissioner Putney seconded the motion.**

**Motion carried by unanimous vote.**

#### PUBLIC COMMENTS (00:0040):

Ernie Baird expressed appreciation for cancelation of the July 25, 2018 Public Hearing on the Draft Lease Policy, and provided comments on the amendment process of the 2018 Capital Budget, the yard and a marketing program.

Pam Lanau asked the Commission to acknowledge the Port's existing policies and commented on the Economic Impact Study recently released by the Port Townsend Marine Trades Association.

### III. REGULAR BUSINESS:

#### A. Port of Port Townsend Commission Meeting & Workshop Schedule for the Remainder of Year 2018 (00:05:54):

Attorney Chmelik briefed on the Open Public Meetings Act and stated there are two kinds of Commission meetings: Business Meetings and Special Meetings. He refreshed on the rules of providing 24 hours' notice prior to Special Meetings. He recommended formally setting dates for the Public Workshops instead of, "workshops called as needed", as stated in the Meetings Resolution. Attorney Chmelik also suggested rewording "Commission Regular Meetings" to "Commission Business Meetings".

**Commissioner Putney moved to adopt the Meeting and Workshop Schedule for the remainder of 2018, as presented.**

**Commissioner Hanke seconded the motion.**

**Motion carried by unanimous vote.**

### IV. NEXT PUBLIC WORKSHOP & BUSINESS MEETING:

PUBLIC WORKSHOP: Wednesday, July 25, 2018 at 3:00 pm

BUSINESS MEETING: Wednesday, July 25, 2018 at 5:30 pm, both held in the Port Commission Building, 333 Benedict St, Port Townsend.

### V. EXECUTIVE SESSION:

A. To Review the Performance of a Public Employee, pursuant to RCW 42.30.110 (1) (g):

The regular session recessed at 2:48 pm and entered into Executive Session at 2:50 pm, duration of one hour, with possible action. The Executive Session was extended forty minutes.

VI. RECONVENING & ADJOURNMENT:

The meeting reconvened at 4:29 pm.

Attorney Chmelik explained there were pictures posted at the recent Port Townsend Marine Trades Association (PTMTA) Economic Impact Study presentation (July 12, 2018), including a picture of a person who "assaulted" a Port employee, and the Commissioners would like to discuss this.

Commissioner Putney stated the Commission wants to see a "much more civil level of discourse and a much higher level of respect" from the public.

Commissioner Hanke stated the Commission believes Port employees do not feel safe and he believes a hostile work environment exists. He would like to see a letter written to the PTMTA and the Northwest Maritime Center, who was the host of the Economic Impact Study presentation, stating the Commission is not happy that this situation occurred and Port employees should not feel under attack.

Commissioner Tucker directed Attorney Chmelik to draft a letter indicating preference for civil discourse, with input from Director Gibboney and Commissioner Tucker. He would like the letter to reflect for a safe work environment for all Port employees.

**Commissioner Hanke moved to have a letter formulated by Mr. Chmelik, Director Gibboney and Commissioner Tucker, as described, with Commissioner Tucker signing as the Chair of the Port Commission.**

**Commissioner Putney seconded the motion.**

**Motion carried by unanimous vote.**

Attorney Chmelik added the Commission should make clear to all Port employees that if any harassment occurs, they are to report it immediately to the Commission.

Commissioner Hanke expressed the need for workplace training and diversity training.

Commissioner Tucker voiced his support of the Jurassic Parliament book on Mastering Council Meetings, where civil discourse is a subject addressed.

The meeting adjourned at 4:40 pm there being no further business to come before the Commission.

ATTEST:

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Stephen R. Tucker, President

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William W. Putney, III, Secretary

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Peter W. Hanke, Vice President

## RESOLUTION NO. 684-18

### A Resolution of the Commission of the Port of Port Townsend

#### RESOLUTION AUTHORIZING THE SALE OF ABANDONED VESSELS

**WHEREAS:** The Port of Port Townsend has in its possession six (6) boats described as follows:

<u>VESSEL</u>	<u>OWNER</u>	<u>ACCOUNT #</u>
MONOPOLY	Andrew Garner	21
PIGEON	Roy L. Hackett	42252
WINDWALKER	Shane Knode	75168
JELLYFISH	Pat McConnell	8896
Utility Trailer	Mike Rickman	41791
GRANDBANKS	John Sefton	40299

**WHEREAS:** Efforts have been made to locate the true owner of each said vessel, and proper notices have been sent to the person believed to be the true owner, or to anyone who might claim an ownership interest in the boat and no person or persons or entity has responded claiming ownership and willingness to pay the charges owing for storage, and ninety (90) days have elapsed since the sending of such notices,

**NOW, THEREFORE BE IT RESOLVED:**

1. That the above designated vessels are declared to be abandoned; and
2. The Port Executive Director is directed to sell the said boats at public sale to the highest and best bidder for cash pursuant to the procedures set forth in RCW 53.08.320 (5); and
3. That the date of public auction shall be August 8, 2018 at 10:00 AM
4. Auction to be held at the Port of Port Townsend Work Yard located at 2790 Washington Street, Port Townsend, Washington.

**ADOPTED** this 25th of July 2018 by the Commission of the Port of Port Townsend and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.

**ATTEST:**

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William W. Putney III, Secretary

\_\_\_\_\_  
Stephen R. Tucker, President

\_\_\_\_\_  
Peter W. Hanke, Vice President

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Port Attorney

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	July 25, 2018
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. A) Adoption of Proposed Budget Process & Schedule
<b>STAFF LEAD</b>	Abigail Berg, Director of Finance & Administration
<b>REQUESTED</b>	<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. DRAFT 2019 Operating & Capital Budgets' Schedule

**Port of Port Townsend  
2019 Operating & Capital Budgets' Schedule**

**D R A F T**

*	July 18, 2018	1:00	<b>Draft 2019 Budget Schedule and process discussed at Commissions' Public Workshop</b>
	July 23-27, 2018	TBD	Group work sessions with Department Managers and Port Directors to discuss budget.
*	July 25, 2018	5:30	<b>Revised Budget Schedule reviewed &amp; final approved by Commission, per RCW 53.35.045, at business meeting.</b>
	August 9-15, 2018	TBD	Individual work sessions with Department Managers and Port Directors.
	August 22, 2018	3:00	<b>Public Workshop session - discuss issues, goals &amp; assumptions, with review of June YTD operating results. Include Business &amp; Yard Managers.</b>
	August 27, 2018	9:00	Group work session with Department Managers and Port Directors to discuss budget - as needed.
*	September 12, 2018	9:30	<b>Public Workshop session - continue discussion of 2019 Budget issues, and review revenue projections. County Assessor will be in attendance to provide presentation of recommended budgeted tax levy for 2019.</b>
*	September 26, 2018	5:30	<b>1st draft of budget and cash flow presented at Commissions' business meeting.</b>
	September 26, 2018		1st draft of budget posted on Port website, for public comment.
*	October 10, 2018	1:00	<b>2nd review of draft 2019 Budget and Cash Flow projection with any proposed revisions and updates at Commissions' business meeting.</b>
	October 10-24, 2018		Advertise notification of public budget hearings in Leader & PDN.
*	October 24, 2018	5:30	<b>1st public hearing and public comment period on 2019 Budget at Commissions' business meeting.</b>
*	November 14, 2018	1:00	<b>2nd public hearing and public comment period on 2019 Budget, if needed, otherwise adopt budget and other requisite resolutions at Commissions' business meeting.</b>
*	November 28, 2018	5:30	<b>If 2nd public comment needed, adopt final 2019 Budget, including other requisite resolutions at Commissions' business meeting.</b>
	November 30, 2018		Tax levy resolutions and final budget due to Jefferson County.

\* Commission Meetings

All workshops & meetings will be held in the Commission Room on 333 Benedict Street, Port Townsend.

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

MEETING DATE	July 25, 2018
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. B) Creation of a Leasing Policy Advisory Committee
STAFF LEAD	Sam Gibboney, Executive Director
REQUESTED	<input type="checkbox"/> Motion <input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. Informational Memorandum

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 7/20/2018  
**TO:** Commission  
**FROM:** Executive Staff  
**SUBJECT:** Leasing Policy – Formation of Ad Hoc Advisory Committee

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**ISSUES:** Should the Commission appoint a broadly representative ad hoc advisory committee to work with Port legal counsel and staff to develop a recommended Port Leasing Policy for Commission review and consideration?

**BACKGROUND:** As requested by the Commission, Port Executive Staff have developed a draft of Lease Policies for public review and discussion. This draft was initially presented and discussed at the Commission's June 13, 2018 Workshop, and again during the Workshops of June 27 and July 11, 2018. Concerns have been raised about the draft document by both the public and Commissioners. At the July 18 meeting, and based upon critical public feedback, the Commission expressed its desire to obtain wider community and tenant involvement in the development of the leasing policies. This staff report briefly outlines a potential approach to forming such a committee, and a suggested timeline for developing recommended policies for Commission review and consideration.

**DISCUSSION:** One potential approach to obtaining wider community participation in the development of lease policy is to establish an ad hoc (i.e., temporary, rather than standing) advisory committee to work with Port legal counsel and staff. A smaller (e.g., five (5) member) committee would likely facilitate scheduling meetings with full attendance. It is suggested that the committee be comprised of stakeholders representing a range of community interests and areas of expertise. Potential interest groups could include: a) current Port tenants (up to two members); b) private sector landlord (1); c) local financial/lending institution (1); and d) a local business owner/tenant (not Port-related). A group of this composition could facilitate receipt of input from a spectrum of viewpoints.

Port Attorney, Frank Chmelik, and one member of Port Executive Staff (either Sam Gibboney or Eric Toews) could help guide and facilitate the committee's discussions, and ensure due consideration of the public agency viewpoint. It is suggested that the timeframe for developing a recommendation, and the total number of meetings, be clearly defined by the Commission (e.g., no more than four (4) meetings, with a report and recommendation to the Commission by no later than September 12, 2018).

**FISCAL IMPACT:** None (other than Attorney/staff time).

**RECOMMENDATION:** None - for discussion only. If the Commission wishes to proceed with formulation of an ad hoc committee as outlined above, staff can return with a list of potential nominees for consideration at your next meeting (August 8).

**ATTACHMENTS:** None.



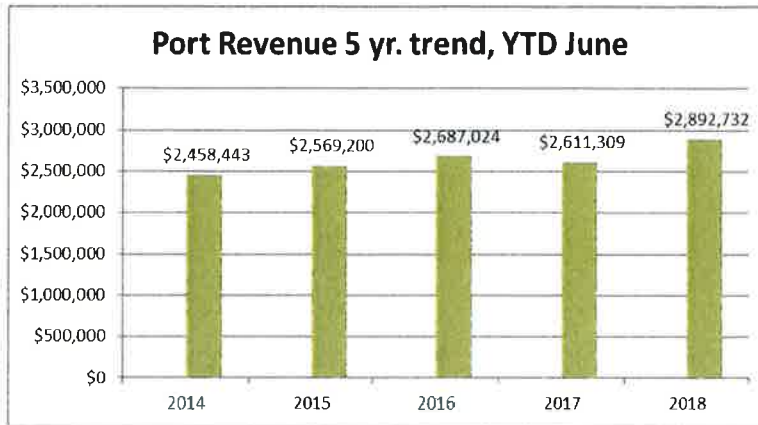
# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

MEETING DATE	July 25, 2018
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. C) June 2018 Financials
STAFF LEAD	Abigail Berg, Director of Finance & Administration
REQUESTED	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. Port Operating Results as of June 30, 2018

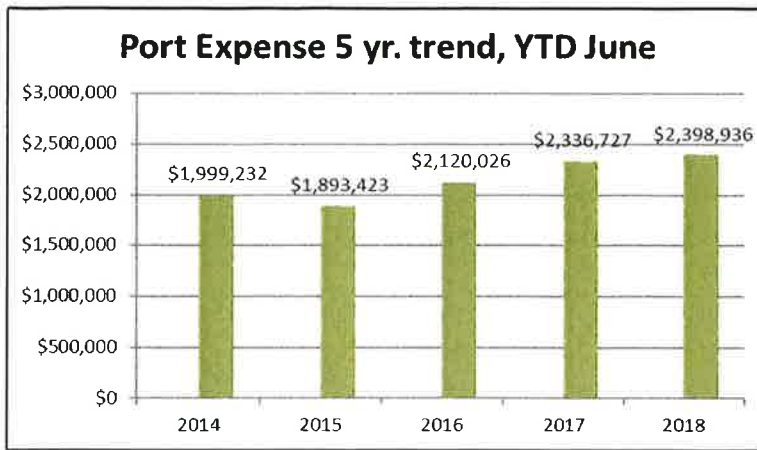
**DATE:** July 20, 2018  
**TO:** Commissioners and Directors  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Port Operating Results as of June 30, 2018

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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>

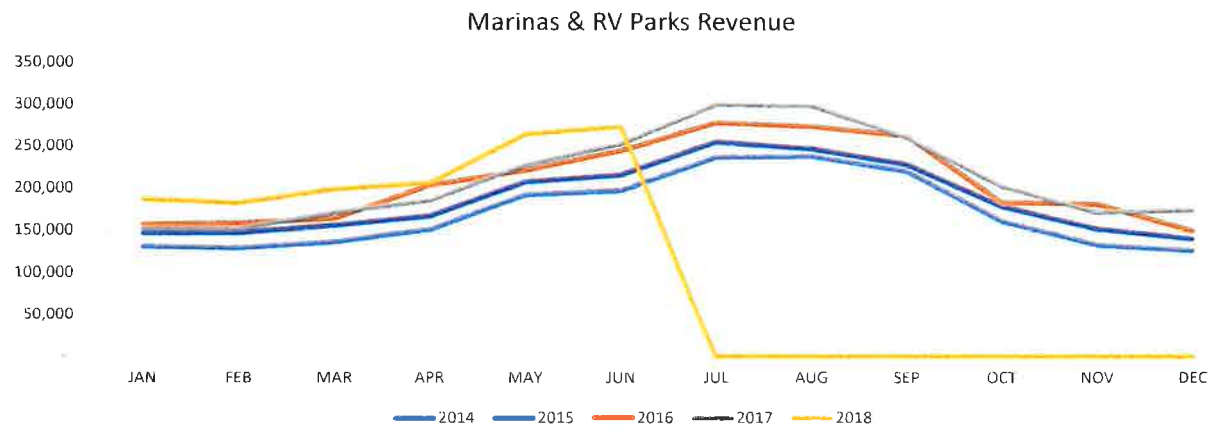
**Notes: none**

	YTD June
<b>Net Income w/out Depreciation</b>	<b>1,006,697</b>
<b>Net Change in Accruals from Balance Sheet*</b>	<b>114,564</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>(335,724)</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>(203,229)</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>2,407,890</b>

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

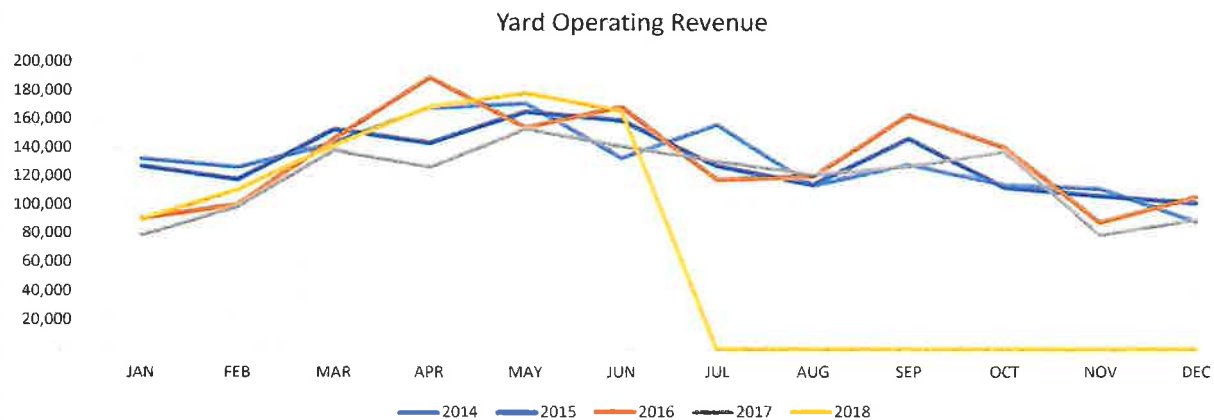
**5 Year Trend of Marinas & RV Parks Revenue**  
**Monthly as of June 30, 2018**

	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**

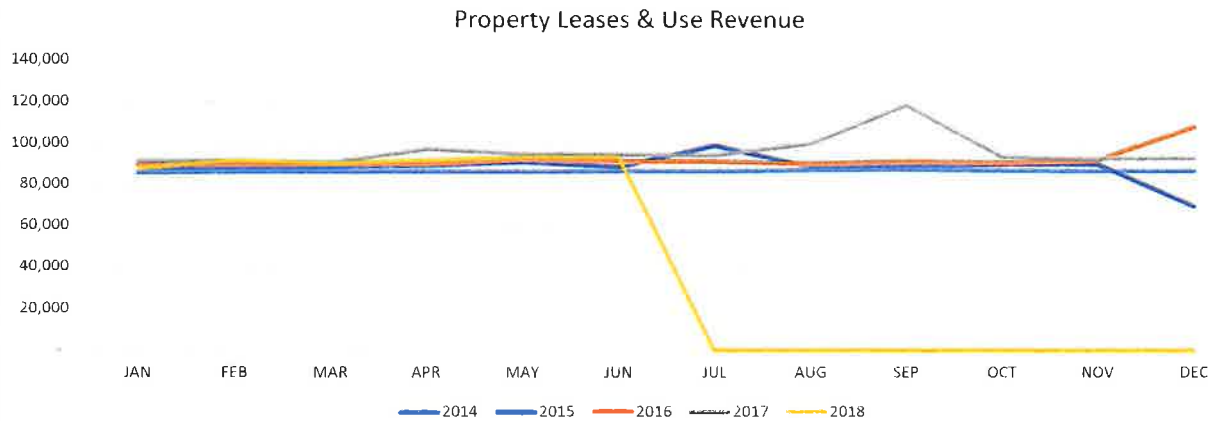
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	132,619	126,635	143,522	168,012	171,379	133,169	156,301	113,562	128,294	113,904	111,279	88,565	1,587,241
2015	127,251	117,863	152,896	143,637	165,218	159,055	127,153	113,746	146,730	111,944	106,145	101,239	1,572,877
2016	90,417	99,886	145,797	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

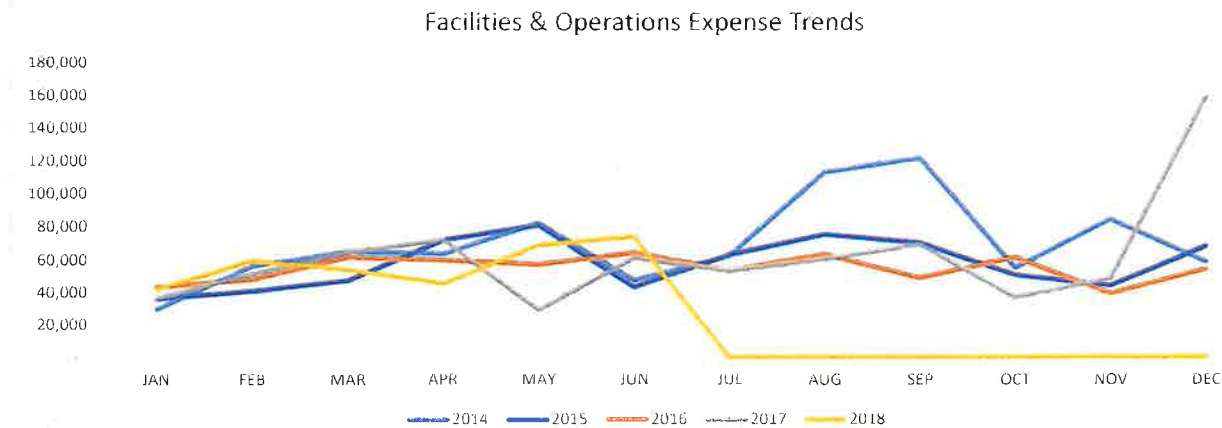


**Notes:**

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).