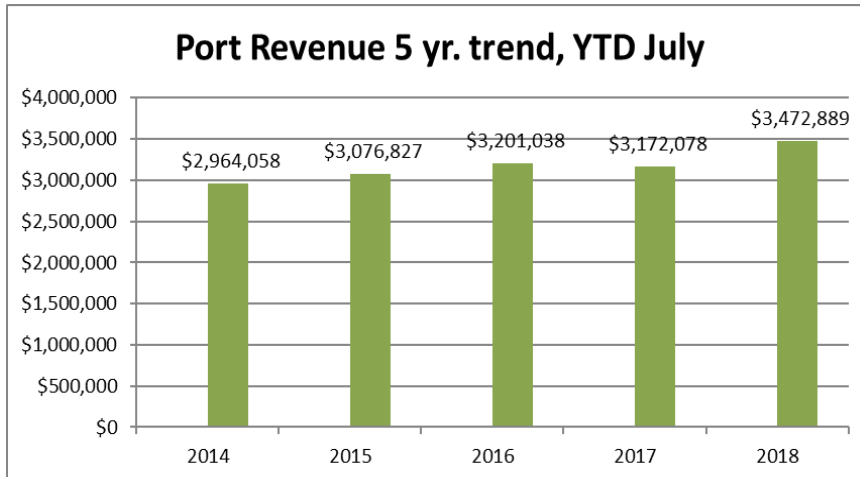
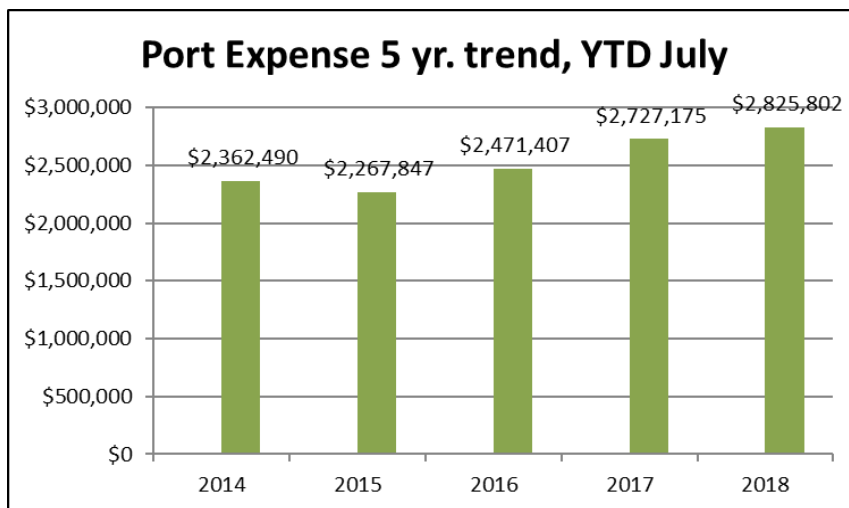


DATE: August 17, 2018
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of July 31, 2018



Revenue Highlights:

- ✓ Operating Revenues continue to surpass YTD revenues when compared to 2017, as well as the last four (4) years. July YTD 2018 are ahead of 2017 by \$300,811 or 9.5%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$41,014.
- ✓ Marinas & RV Parks revenue are the sector lead in revenues, not only from the rate increase implemented in January, but the new vision in maximizing capacity in all marinas and the Point Hudson RV park, as led by the Director of Operations and carried out by staff. Compared to 2017, Marinas & RV Parks revenue are ahead by \$186,120 and are ahead of budget by \$103,230.
- ✓ Yard revenues continue to be ahead of the prior year, by \$113,952, but short of budget by \$58,331. Ambitious goals were set for the Yard and though shy of YTD budget, are doing quite well.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$36,225, and ahead of budget by \$17,759.
- ✓ Ship Yard revenues are ahead of last year by \$23,419, and below budget by \$47,611.
- ✓ Work Yard Hoist revenues continue to be ahead of last year, by \$13,584, while also being ahead of budget by \$11,453.
- ✓ Work Yard revenues also continue to be ahead of 2017, by \$16,392, though short of budget by \$16,356.
- ✓ Property Leases & Use Revenues continue to be less than the prior year (\$8,755); this gap decreased in July by \$2,504. Even though PTBH Properties are more than 2017 by \$18,057, this increase is offset by the decrease in Point Hudson Properties (\$31,387) which is primarily due to tenant vacancies at Point Hudson. Clearly vacancies need to be filled.
- ✓ Fuel Sales & Leases continue to lag when compared to YTD 2017 (decrease of \$2,457) and is short of budget by \$1,647. Both PTBH and JCIA are doing well historically and in alignment with 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 \$2,560 and less than budget by \$4,007. For both PTBH and Quilcene, this decrease is due to timing of tribal openings which cannot be predicted by the Port. These are reflected in reductions in Commercial Use Fees. June of 2017 had openings whereas 2018 did not have any until July.
- ✓ Utilities Revenue are ahead of last year by \$14,510 and ahead of budget by \$11,250.



Expense Highlights:

- ✓ Total YTD 2018 Operating Expenses are more than 2017 by \$98,628, yet below budget by \$216,795. Just over half of this is from staffing shortages, totaling \$120,269, which are slowly getting filled. Due to filling vacant positions and changes in Port leadership, these “savings” will be used up by year end and may even exceed budget.
- ✓ The remainder of the budget variance of Operating Expenses is related to the timing of Consulting Services (\$56,003), Contract Services (\$21,067), projections of Bad Debt *that have not occurred* (\$9,873) and Marketing (\$25,922) which is due to the website design contract that was recently entered into. 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 July 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 13% of those expenses (\$4,418) have been charged to capital work with the remainder in Operations. YTD July, \$30,733 has been charged to Operations and 39% of the total contract has been used.
- ✓ Facilities & Operations expenses are more than 2017 by \$29,739 and compared to budget are less by \$50,597. Though there are other offsets to the YTD budget comparisons of Facilities & Operations expenses, Repair and Maintenance is the largest at \$78,263 below budget. In the next month, it is estimated that approximately \$38,000 of that will be used on the New Day Fisheries roof repair.
- ✓ Utilities continue to be higher in 2018 than 2017 (\$32,320) and more than projected budget (\$36,827).
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$3,668, which is in alignment with the comparative decrease in fuel sales noted on the revenue side (Quilcene).

YTD Net Operating Income is \$647,087 which is a \$202,183 increase from YTD 2017. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,253,615 which is a \$376,032 increase from YTD 2017.

Non-Operating Revenues:

- ✓ Capital Contributions / Grants revenue are up from last year due to the increased activity on the JCIA Runway Rehab project and the Point Hudson South Jetty project. The jetty project has been put on hold, and as such, no further grant billings have been prepared and submitted. The actual timing of grant reimbursement revenue is 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 \$28,727 in WIP (capital project "Work in Progress"). All these expenses are for the JCIA Runway Rehab Project.

Capital Purchases:

There were no capital purchases made during July.

Debt Service Obligations:

On July 1st, the Port paid \$487,825 in principle and interest on the 2015 LTGO Bond. For the remainder of 2018, the following debt service obligations must be met:

- ✓ November 1st - \$209,372 for principal and interest on the 2013 Revenue Bond (*final payment*)
- ✓ December 1st - \$338,619 for principal and interest on the 2010 LTGO Bond

Together the remaining debt service payments for 2018 total \$547,991 (\$441,278 of this amount is principal).

Cash & Investment balances:

End of month, the cash and investment balances were \$2,008,733. Reserve balances totaled \$942,234 and Unreserved Cash & Investments totaled \$1,066,499.

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

	YTD July 2017	YTD July 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	1,441,842	1,627,962	186,120		1,524,732	103,230
Yard Operations	867,967	981,919	113,952		1,040,250	(58,331)
Property Leases & Use	655,528	646,774	(8,755)		656,255	(9,482)
Fuel Sales & Leases	24,760	22,303	(2,457)		23,950	(1,647)
Ramp Use	45,353	42,793	(2,560)		46,800	(4,007)
Utilities	136,628	151,138	14,510		139,888	11,250
Total Operating Revenues	3,172,078	3,472,889	300,811		3,431,875	41,014
OPERATING EXPENSES						
Salaries & Wages	1,206,186	1,189,847	(16,339)		1,242,210	(52,363)
Payroll Taxes	123,285	123,687	402		174,015	(50,328)
Employee Benefits	412,876	434,754	21,878		453,332	(18,578)
Uniform Expense	4,221	1,481	(2,740)		5,466	(3,985)
Contract Services	173,393	150,975	(22,418)		172,042	(21,067)
Consulting Services	37,355	40,248	2,893		96,250	(56,003)
Legal & Auditing	61,334	105,357	44,023		75,600	29,757
Facilities & Operations	370,055	399,795	29,739		450,391	(50,597)
Utilities	281,808	314,038	32,230		277,211	36,827
Marketing	18,129	26,769	8,640		52,691	(25,922)
Economic Development	15,000	15,000	-		15,000	-
Travel & Training	13,465	18,067	4,602		18,589	(522)
Cost of Goods - Fuel	9,453	5,785	(3,668)		9,800	(4,015)
Community Relations	615	-	(615)		-	-
Total Operating Expenses	2,727,175	2,825,802	98,628		3,042,598	(216,795)
Income from Operations w/o Depr	444,904	647,087	202,183		389,278	257,809
Non-Operating Revenue						
Capital Contributions/Grants	17,632	113,039	95,407		163,176	(50,137)
Interest	26,687	28,451	1,764		20,000	8,451
Property & other taxes	585,290	613,147	27,856		605,169	7,978
Misc Non-Operating Revenue	25,966	34,415	8,449		20,625	13,790
Total Non-Operating Revenues	655,575	789,051	133,476		808,970	(19,919)
Non-Operating Expenses						
Bond Interest	204,129	182,172	(21,957)		193,746	(11,574)
Bond Mgmt, Issuance & Misc Exp	18,766	350	(18,416)		800	(450)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	222,895	182,522	(40,373)		194,546	(12,024)
Net Non-Operating Income (Expense)	432,679	606,529	173,849		614,424	(7,895)
Net Income (Loss)	877,583	1,253,615	376,032		1,003,702	249,914

Notes: none

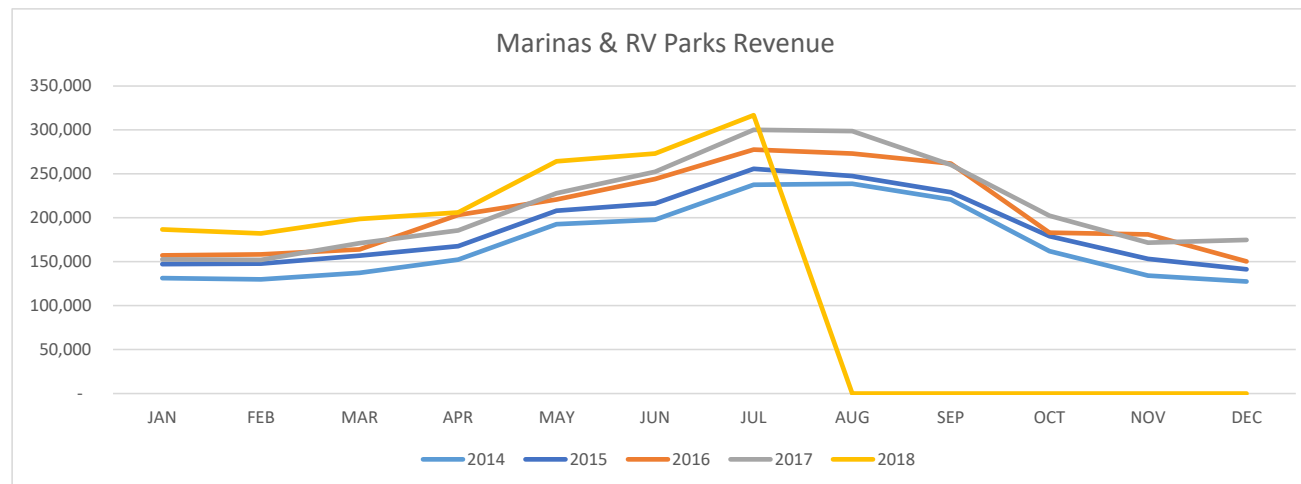
Port of Port Townsend Cashflow Report

	<u>YTD July 2018</u>
Net Income w/out Depreciation	1,253,615
Net Change in Accruals from Balance Sheet*	<u>(72,784)</u>
Less: Capital Expenses:	
Storm-water Rx project	(46,126)
Point Hudson South Jetty project	(171,854)
JCIA Runway Rehabilitation project	(87,994)
Yard/Moorage Office Remodel project	-
PTBH Restroom	-
PTBH Water Meters project	(1,900)
Land	-
Buildings	-
Improvements	(31,092)
Equipment replacement	(25,485)
Total Capital Expenses	<u>(364,451)</u>
Less: Principal Payments on Debt:	
Point Hudson Marina Refunding Bond (2015 LTGO Bond)	(430,000)
PTBH Marina Bond (2010 LTGO Bond)	-
Administrative Building Bond (2013 Revenue Bond)	(203,229)
Total Principal Payments	<u>(633,229)</u>
Increase (Decrease) in Cash Y-T-D	183,151
Beginning Cash at 1/1/2018	1,825,582
Ending Cash at 7/31/18	<u><u>2,008,733</u></u>

**These are current assets and current liabilities.*

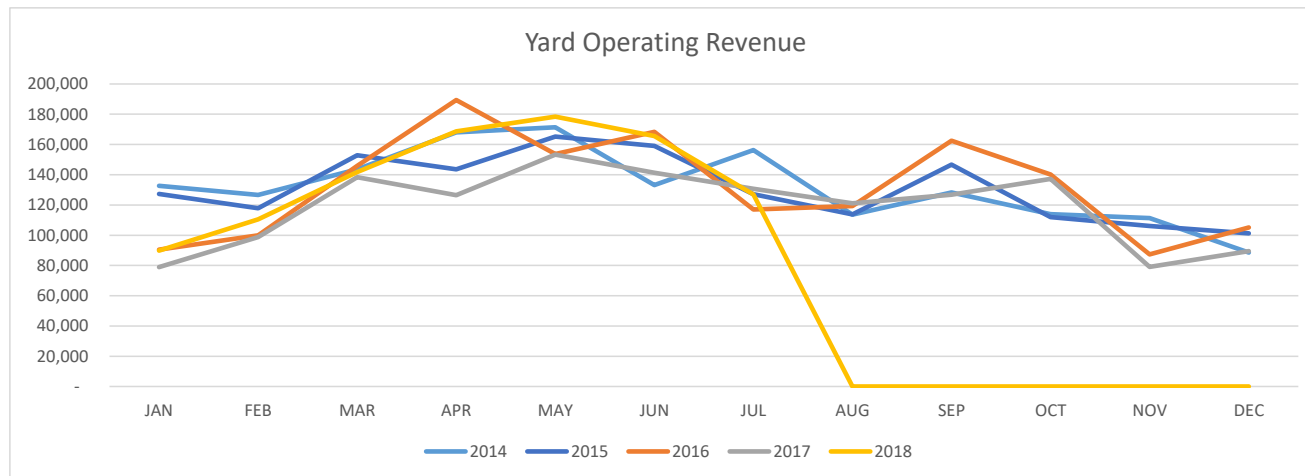
5 Year Trend of Marinas & RV Parks Revenue
Monthly as of July 31, 2018

	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	316,799	-	-	-	-	-	1,627,962



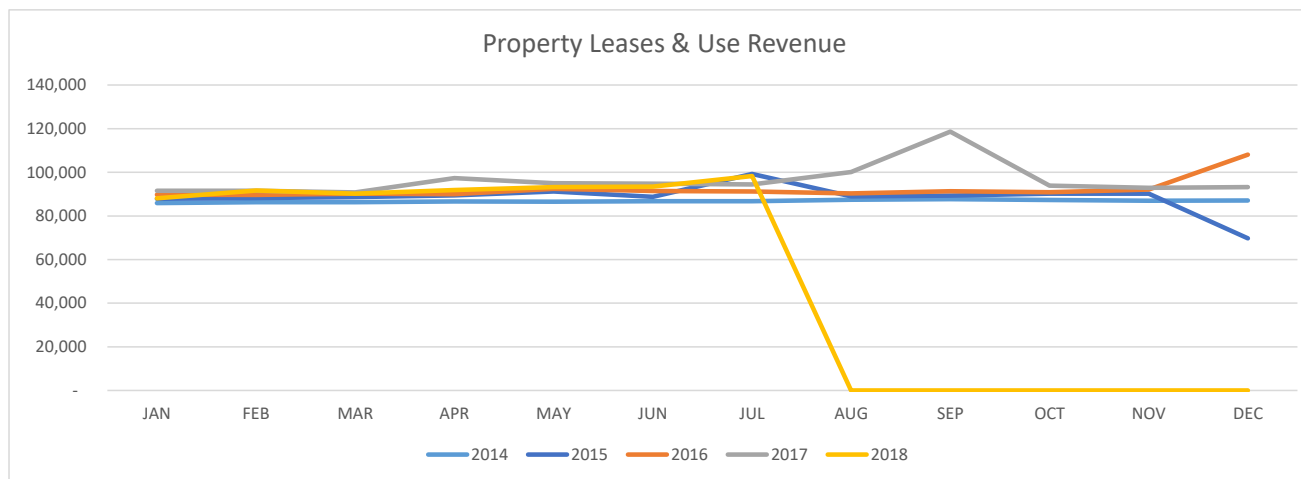
5 Year Trend of Yard Operations Revenue
Monthly as of July 31, 2018

	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	127,052	-	-	-	-	-	981,919



5 Year Trend of Property Lease & Use Revenue
Monthly as of July 31, 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	98,281	-	-	-	-	-	646,774

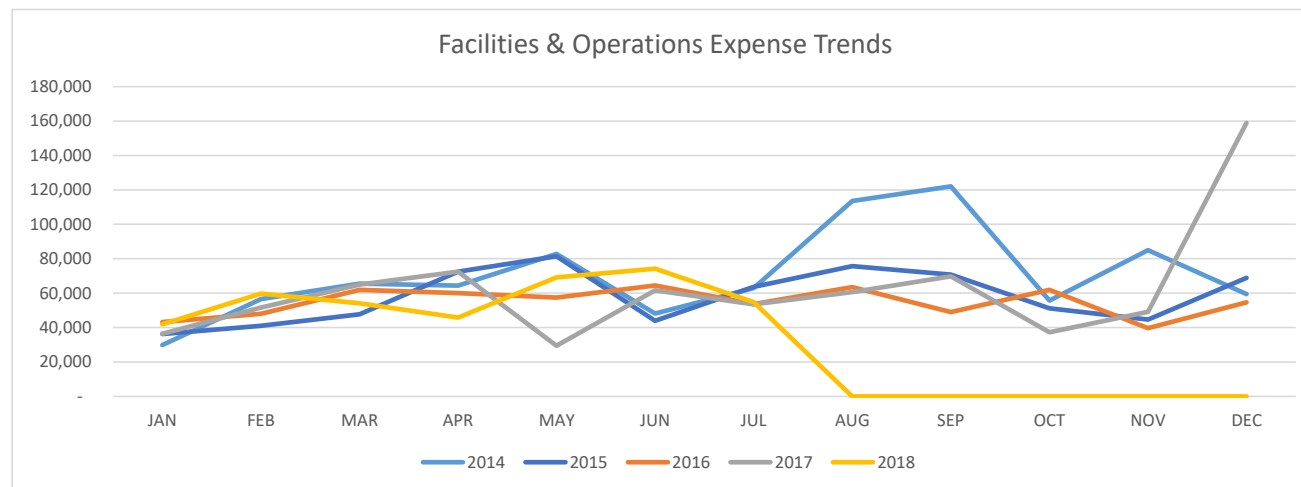


Notes:

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 July 31, 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	54,754	-	-	-	-	-	399,795



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).