

The Port

OF PORT TOWNSEND

SERVING ALL OF JEFFERSON COUNTY

**Port of Port Townsend
Public Workshop
Wednesday, September 12, 2018, 3:00 pm
Port Commission Building
333 Benedict Street
Port Townsend, WA**

AGENDA

Presentation from the County Assessor on recommended Port amount to budget for 2019 property tax levy.

Projected year end results for 2018

Based on recent events, we reviewed the YTD results of various expenses and identified what expenses may not be on budget, whether over or under, to determine what variance from the 2018 budget there might be. See attached for those estimates and discussions of them.

Budget Priorities for 2019

Priorities:

- 1) Increase in Net Operating Income (NOI)
 - A) Increase revenues to include CPI rate increase
 - B) Lease available Port properties
 - B) Review staffing for potential savings without affecting customer service
 - C) Seek to reduce utility expenses

- 2) Potential Projects
 - A) Emergency Point Hudson Jetty Repair
 - B) Complete JCIA Runway Rehab Phase II engineering and construction
 - C) Workyard Resurfacing, similar to 2018
 - D) Stormwater compliance efforts
 - E) Point Hudson Roofs

- 3) Other issues/costs
 - A) Search for permanent executive director
 - B) Potential re-payment of the RCO grant for the Point Hudson Jetty Replacement project
 - C) Consider issuing additional debt for projects anticipated to preserve or increase income

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REVIEW OF 2018 BUDGET & 2018 YE PROJECTION

As we come close to the year end, there are several significant events that caused a deviation from the original 2018 budget, specifically:

1. The Point Hudson Jetty Replacement did not occur
2. The \$3.2m bond issuance did not occur
3. Change in the Executive Director

As a result of these events, we reviewed the YTD results, both operating and non-operating, along with the known and projected events and issues for the remainder of the year to determine how those changes may effect the final results. Below is a high level comparative of the original 2018 budget, the projected estimates for the year, the variance between those two, as well as a comparative to 2017 actual performance. It should be noted that even with the significant events that occurred in 2018 thus far, we are still doing well operationally, both in revenues and expenses, and comparatively to the 2017 actual results.

	2018 BUDGET	ESTIMATED 2018 RESULTS	VARIANCE	2017 ACTUAL
Operating Revenue	5,875,075	5,875,075	-	5,453,511
Operating Expenses	5,260,645	5,307,611	(46,966)	5,077,177
Net Operating Income	614,430	567,464	(46,966)	376,334
Non-Operating Revenue	2,304,727	1,593,390	(711,337)	1,970,982
Non-Operating Expenses	447,307	333,627	113,680	472,964
Net Non-Operating Income	1,857,420	1,259,763	(825,017)	1,498,018
Net Income	2,471,850	1,827,227	(871,983)	1,874,352

The detail behind the variances noted above are on the following page.

	2018 BUDGET	ESTIMATED 2018 RESULTS	VARIANCE	2017 ACTUAL
Operating Revenue				
Budget	5,875,075	5,875,075	-	5,453,511
Salaries/Wages		5,260,645		
Potential Unemployment		108,000		staffing changes
Payroll Taxes		12,000		staffing changes
Payroll Benefits		(21,000)		staffing changes
Contract Services		6,200		staffing changes
Consulting Services		(21,067)		used less than anticipated earlier in the year
Legal		(56,002)		used less than anticipated earlier in the year
Audit		47,484		new attorney, ED resignation
Fac/Op - Oper/Comptr Su		16,000		Audit commencing earlier due to bond compliance
Fac/Op - tarps		5,000		Adjmts to variance of original to actual
Fac/Op - permits		9,800		more turn-over w/boats and use, not off-set by charges
Fac/Op - damages		3,890		Travelift Inspections, and Ecology permits
Fac/Op - Bank Chrgs		14,395		Includes Bernice damages paid out
Fac/Op - Repair/Maint		9,700		Increase in credit card use (compared to budget)
Utilities		(100,000)		Reduction to help in overall costs
		12,566		Increase in anticipated Electrical & Garbage usage
Operating Expenses				
	5,260,645	5,307,611	(46,966)	5,077,177
Net Operating Income	614,430	567,464	(46,966)	376,334
Budget		2,304,727		
FAA - Phase II Runway		128,079		adjmt for Phase II grant money
Other Capital Grants		(855,016)		reduction for Jetty work not done
Insurance Recovery		8,600		incr for going over budget for Bernice recovery
Investmt Interest		7,000		incr to better returns than budgeted
Non-Operating Revenue				
Budget	2,304,727	1,593,390	(711,337)	1,970,982
Mid Yr CIP adjmt - no bond		447,307		
		(113,680)		reduction for bond interest - not issued
Non-Operating Expenses				
	447,307	333,627	113,680	472,964
Net Non-Operating Income	1,857,420	1,259,763	(825,017)	1,498,018
Net Income	2,471,850	1,827,227	(871,983)	1,874,352

Revised Estimated Cashflow for 2018

as of 9/10/18

Details:

1. The Port reports on an accrual basis, therefore, the actual ending cash will necessarily depend on the ending balances of the various current asset and liability accounts.
2. Below are estimated projections of how the budgeted amounts may change as a result of actuals year-to-date, July - for revenues, and August - for expenses.
3. The actual budgeted amounts have not been changed in the accounting system, instead this projection is a tool to see where the Port may end the year, though there are still other unknowns with approximately four (4) months left in the year.
4. Some of the unknowns are events that may or may not occur as well as directions given or not given by the Commission (i.e. the Commission approved the amended CIP budget in July, but they could later decide not to move forward on one of those projects).

	2018 Budgeted Cashflow - ORIGINAL	2018 Amended Budgeted Cashflow - July	notes	Est. Proj. - 2018 YE (scenario I)	notes	Est. Proj. - 2018 YE (scenario II)
Estimated Beginning Year Cash						
Unreserved Cash	847,692	953,348		953,348		953,348
Reserved Cash	882,234	872,234		872,234		872,234
Operating Revenues	5,875,075	5,875,075	2	5,875,075	2	5,875,075
Operating Expenses (w/o depreciation)	(5,260,645)	(5,260,645)	3-5	(5,307,611)	3-5	(5,307,611)
Non-Operating Revenues	2,304,727	1,483,522	6	1,593,390	6	1,593,390
Non-Operating Expenses	(447,307)	(333,627)		(333,627)		(333,627)
Debt service - principle	(1,074,504)	(1,074,504)		(1,074,504)		(1,074,504)
Issuance of Bond Debt	3,200,000	-		-		-
Capital expenses (from Grants)	(1,137,727)	(282,711)	7	(410,790)	7	(410,790)
Capital expenses (from Operating Revenue)	(150,000)	(532,803)	1, 8	(610,991)	1, 8	(467,991)
Capital expenses (from Bonds)	(2,715,000)	-		-		-
Capital expenses (from Reserves)	(13,100)	(13,100)	9	(34,811)	9	(34,811)
Increase/(Decrease) in cash	581,519	(138,793)		(303,869)		(160,869)
Total Estimated Ending Cash	2,311,445	1,686,789		1,521,713		1,664,713
Unreserved Cash	1,332,311	707,655		564,290		707,290
Reserved Cash	979,134	979,134	9	957,423	9	957,423
TOTAL	2,311,445	1,686,789		1,521,713		1,664,713

Notes & Assumptions:

1. There are two scenarios for the estimated results for year end 2018. The difference between the two are whether specific capital projects that were outlined in the CIP Amended budget in July are undertaken. Upon discussion and review with consultant, we updated the \$82,000 estimated for AO compliance to \$30,000 for 2018. Scenario I contains all the YTD capital project and purchases (including adjustment just mentioned), and the remaining budgeted items. Scenario II has no WDFW Air System work (\$95,000) and no Coast Seafood Roof work (\$48,000).
2. Operating revenues are anticipated to end the year on budget or better so they were not changed.
3. In general, estimated projections were made based on YTD results and other known factors for operations and capital.

4. Operating expenses were increased primarily due to the costs associated with the change in Executive Director, which included compensation, potential unemployment and legal. *(Increase in Legal was affected by the change in ED, but also with having a new attorney getting up to speed with Port issues while also retaining the prior attorney to close-out prior litigation issues.)* While making those estimates, we also updated other personnel related line items such as taxes and benefits with known and anticipated costs for filling vacant positions.

5. Other line items that were updated include Consulting Services, Audit, Office/Computer Supplies, Yard Tarps, Permits, Claims/Damages, Bank Charges, Repair/Maintenance materials/supplies and Utilities. The amounts of all the estimated changes made to various line items are outlined on page 3.

Non-Operating adjustment details

6. Non-Operating revenues increased by \$8,600 for Insurance Recovery received (over budgeted line item) for Bernice claim.

7. Adjusted for YTD grant billings plus estimated grant billings through end of year. Primary increase is the JCIA Runway Rehab Phase II grant work starting sooner than originally budgeted.

8. Variance between Mid-Year CIP amended budget and Scenario I is primarily the JCIA Runway Rehab Phase II work, which wasn't included originally. In addition, in these estimates, there is staff labor included which was not included before but is capitalized. The variance between Scenario I and Scenario II is the elimination of the following projects: WDFW Air System, Stormwater (AO compliance) and the Coast Seafood roof. Together these total \$143,000.

9. Increase in the Port match is directly related to the 5% grant not obtained for the JCIA Runway Rehab Phase II work.

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