

*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

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.

## 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<br>2018 RESULTS | VARIANCE         | 2017 ACTUAL      |
|---------------------------------|------------------|---------------------------|------------------|------------------|
| <b>Operating Revenue</b>        | 5,875,075        | 5,875,075                 | -                | 5,453,511        |
| <b>Operating Expenses</b>       | 5,260,645        | 5,307,611                 | (46,966)         | 5,077,177        |
| <b>Net Operating Income</b>     | <b>614,430</b>   | <b>567,464</b>            | <b>(46,966)</b>  | <b>376,334</b>   |
| <b>Non-Operating Revenue</b>    | 2,304,727        | 1,593,390                 | (711,337)        | 1,970,982        |
| <b>Non-Operating Expenses</b>   | 447,307          | 333,627                   | 113,680          | 472,964          |
| <b>Net Non-Operating Income</b> | <b>1,857,420</b> | <b>1,259,763</b>          | <b>(597,657)</b> | <b>1,498,018</b> |
| <b>Net Income</b>               | <b>2,471,850</b> | <b>1,827,227</b>          | <b>(644,623)</b> | <b>1,874,352</b> |

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

|                                 | 2018 BUDGET      | ESTIMATED<br>2018 RESULTS | VARIANCE         | 2017 ACTUAL  |
|---------------------------------|------------------|---------------------------|------------------|--|
| <b>Operating Revenue</b>        | 5,875,075        | 5,875,075                 | -                | 5,453,511  |
| Budget                          |                  | 5,260,645                 |                  |  |
| Salaries/Wages                  |                  | 108,000                   |                  | staffing changes                                       |
| Potential Unemployment          |                  | 12,000                    |                  | staffing changes                                       |
| Payroll Taxes                   |                  | (21,000)                  |                  | staffing changes                                       |
| Payroll Benefits                |                  | 6,200                     |                  | staffing changes                                       |
| Contract Services               |                  | (21,067)                  |                  | used less than anticipated earlier in the year         |
| Consulting Services             |                  | (56,002)                  |                  | used less than anticipated earlier in the year         |
| Legal                           |                  | 47,484                    |                  | new attorney, ED resignation                           |
| Audit                           |                  | 16,000                    |                  | Audit commencing earlier due to bond compliance        |
| Fac/Op - Oper/Compr Su          |                  | 5,000                     |                  | Adjmts to variance of original to actual               |
| Fac/Op - tarps                  |                  | 9,800                     |                  | more turn-over w/boats and use, not off-set by charges |
| Fac/Op - permits                |                  | 3,890                     |                  | Travelift Inspections, and Ecology permits             |
| Fac/Op - damages                |                  | 14,395                    |                  | Includes Bernice damages paid out                      |
| Fac/Op - Bank Chrgrs            |                  | 9,700                     |                  | Increase in credit card use (compared to budget)       |
| Fac/Op - Repair/Maint           |                  | (100,000)                 |                  | Reduction to help in overall costs                     |
| Utilities                       |                  | 12,566                    |                  | Increase in anticipated Electrical & Garbage usage     |
| <b>Operating Expenses</b>       | 5,260,645        | 5,307,611                 | (46,966)         | 5,077,177  |
| <b>Net Operating Income</b>     | <b>614,430</b>   | <b>567,464</b>            | <b>(46,966)</b>  | <b>376,334</b>   |
| 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                   |
| <b>Non-Operating Revenue</b>    | 2,304,727        | 1,593,390                 | (711,337)        | 1,970,982  |
| Budget                          |                  | 447,307                   |                  |  |
| Mid Yr CIP adjmt - no bond      |                  | (113,680)                 |                  | reduction for bond interest - not issued               |
| <b>Non-Operating Expenses</b>   | 447,307          | 333,627                   | 113,680          | 472,964  |
| <b>Net Non-Operating Income</b> | <b>1,857,420</b> | <b>1,259,763</b>          | <b>(597,657)</b> | <b>1,498,018</b>                                       |
| <b>Net Income</b>               | <b>2,471,850</b> | <b>1,827,227</b>          | <b>(644,623)</b> | <b>1,874,352</b>                                       |

## 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<br>Cashflow -<br>ORIGINAL | 2018 Amended<br>Budgeted<br>Cashflow - July | notes | Est. Proj. - 2018<br>YE (scenario I) | notes | Est. Proj. - 2018<br>YE (scenario II) |
|---|---|---|-------|--------------------------------------|-------|---------------------------------------|
| <b>Estimated Beginning Year Cash</b>      |   |   |       |                                      |       |                                       |
| <b>Unreserved Cash</b>                    | <b>847,692</b>                          | <b>953,348</b>                              |       | <b>953,348</b>                       |       | <b>953,348</b>                        |
| <b>Reserved Cash</b>                      | <b>882,234</b>                          | <b>872,234</b>                              |       | <b>872,234</b>                       |       | <b>872,234</b>                        |
| 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)                             |
| <b>Total Estimated Ending Cash</b>        | <b>2,311,445</b>                        | <b>1,686,789</b>                            |       | <b>1,521,713</b>                     |       | <b>1,664,713</b>                      |
| <b>Unreserved Cash</b>                    | <b>1,332,311</b>                        | <b>707,655</b>                              |       | <b>564,290</b>                       |       | <b>707,290</b>                        |
| <b>Reserved Cash</b>                      | <b>979,134</b>                          | <b>979,134</b>                              | 9     | <b>957,423</b>                       | 9     | <b>957,423</b>                        |
| <b>TOTAL</b>                              | <b>2,311,445</b>                        | <b>1,686,789</b>                            |       | <b>1,521,713</b>                     |       | <b>1,664,713</b>                      |

### 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 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.

**PORT**

**(GENERAL LEVY)**

**ESTIMATE FOR "2019" BUDGET**

|  |    |                     |               |
|--|----|---------------------|---------------|
| "2018" ACTUAL AMOUNT                                     | \$ | 983,243.52          |               |
| <b>INCREASE OF 1% (\$9,832.43)</b>                       |    | X 1.01              |               |
| <b>RESOLUTION AMOUNT</b>                                 | \$ | <b>993,075.95</b>   |               |
| NEW CONST & UTIL (EST) +                                 | \$ | 11,615              | Estimated     |
| <br>   |    |                     |               |
| "2018" HIGHEST LAWFUL LEVY AMOUNT                        |    | \$980,397.20        |               |
|  |    | X 1.01              |               |
| <b>WILL BE HELD TO THE HIGHEST LAWFUL INCREASE OF 1%</b> |    | <b>\$990,201.17</b> |               |
| NEW CONST & UTIL (EST) +                                 | \$ | 11,615              | Estimated     |
| <br>   |    |                     |               |
| REFUNDS (EST) +  | \$ | 1,435               | As of 9/10/18 |
|  | \$ | <b>1,003,251.17</b> |               |
| <br>   |    |                     |               |
| ASSESSED VALUE AS OF 9/10/18 + EST NC                    | \$ | 5,574,432,252       |               |
| STATUTORY RATE LIMIT                                     |    | X .45               |               |
|  | \$ | <b>2,508,494.51</b> |               |

**BUDGET ON THE HIGH SIDE = \$ 1,008,000**

TIMBER TAX (EST) = \$ 30,000

Notes: **Values are increasing . . .**

---

**WILL BE HELD TO THE HIGHEST LAWFUL**

---