

The Port OF PORT TOWNSEND SERVING ALL OF JEFFERSON COUNTY



**2019
Annual Budget**

TABLE OF CONTENTS

Message from the Interim Executive Director	3
INTRODUCTION	5
About Us	5
Mission	5
Port Commissioners	6
OPERATING BUDGET	7
Overview & Organizational Initiatives	7
Operating Revenues & Expenses Graphs	9
Consolidated Operating Budget	10
Departmental Operating Budgets	11
Boat Haven Moorage	11
Boat Haven Yard	12
Point Hudson	14
Boat Haven Properties	16
Quilcene	18
Ramps	20
JCIA	21
CAPITAL BUDGET	22
CASH FLOW PROJECTIONS	24
Assumptions	24
2019-2021 Budgeted Cashflow	25
Budgeted Property Tax Levy	25
DEBT SERVICE	26

MESSAGE FROM THE EXECUTIVE DIRECTOR

Introduction

The Port of Port Townsend provides many important services to the residents of Jefferson County: facilities and services that support the local marine trades industry; public recreational opportunities in the form of marinas, boat ramps, RV park; and air and water transportation links within the Puget Sound region. Maintaining and replacing the public infrastructure that supports these services is difficult at best. During periods of economic growth is the time that the Port needs to take a leadership role in making whatever headway we can for our future.

Economic Outlook

The economic outlook for Jefferson County for 2019 and beyond is one of cautious optimism. However, the new economic normal suggests that obtaining federal and state funding for capital projects is likely to remain highly constrained and competitive and we will need to rely on our community partners for help securing these scarce funds.

Capital Investment Needs – Present & Future

A series of major capital projects has been on the table for some time and needs to be addressed starting with this budget cycle. These are: a long-term fix for stormwater, a failing jetty at Point Hudson and a complete re-do of the runway at JCIA. In addition to these major capital needs there are several key capital maintenance projects outlined in the budget. I'm sure that we can all come up with several more necessary projects that are needed but we must remain focused on these major capital needs to be successful.

Our Issues Are Not Unique

Our situation mirrors that of the nation, and many state and local governments: underfunded legacy infrastructure. Many of our facilities, like those across the nation, were built during a “golden age” of infrastructure construction and subsequent economic growth between the 1930s and early 1960s (e.g., Point Hudson and the Boat Haven were constructed during this period). The challenge is easily stated, but difficult to remedy: we lack enough resources to restore, replace, or repair aging infrastructure. Obviously, this aging infrastructure is the backbone of the Port and enables us to generate the revenues we depend upon to fund ongoing operations, and theoretically, to repair and replace infrastructure at the end of its useful life. Port maintenance staff has done an admirable job over the years in conducting routine and ordinary maintenance to preserve and extend the useful life of our assets.

A Way Forward

To address these mounting issues, I recommend that the Port follow these six guiding goals.

- Build net operating revenues through a combination of growing revenue and reduce expenses.
- Continue to lease all vacant spaces in each of our port facilities.
- Complete infrastructure upgrades at Jefferson County International Airport while federal funds are still available.
- Create and adhere to a leasing policy for all Port properties.
- Develop and successfully execute a long-term stormwater solution to support our marine trades tenants
- Continue to cultivate, nurture and improve relationships with our community partners.

Prepare for Some Tough Choices

Adoption of the 2019 budget is only the beginning. Our current revenue streams and tax receipts are inadequate to fund the long-term maintenance, repair, and replacement of the suite of facilities and equipment we presently operate. This suggests that we will be required to undertake management responses that may include a combination of all the following:

- Increase rates and fees to recoup costs.
- Critically evaluate and potentially cut overhead expenses.
- Surplus non-performing assets that do not advance our central mission of economic development.
- Align expectations with realities.

My staff and I look forward to working with the Commission to ensure the continued financial stability of the Port of Port Townsend and to support a vibrant and healthy local economy.

Respectfully,

Jim Pivarnik
Executive Director

INTRODUCTION

About Us

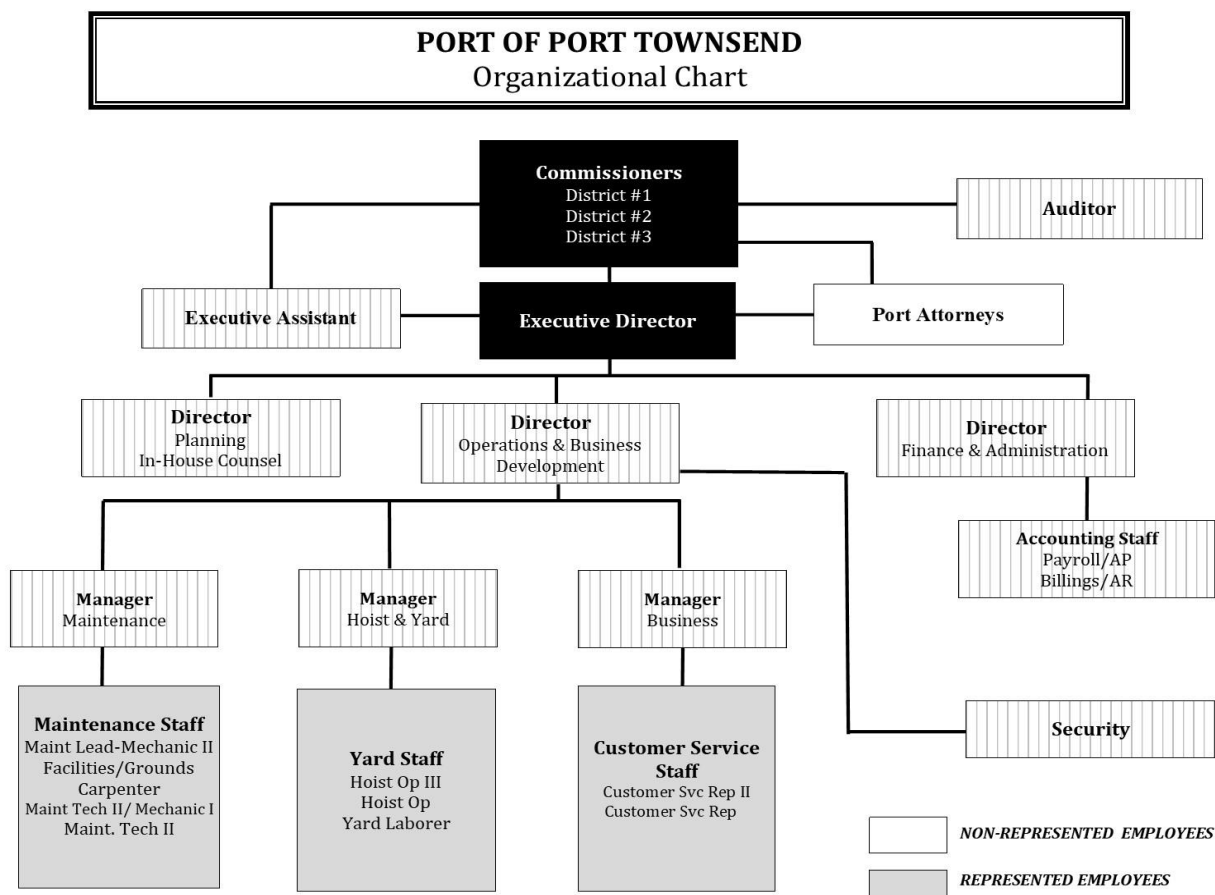
The Port of Port Townsend is a municipal corporation authorized by Washington State statute (Revised Code of Washington [RCW] Title 53) to provide for the development and maintenance of harbors and terminals and to promote tourism and foster economic activity. Created in 1924, the Port is a special purpose district independent from other local or state governments. The Port's geographical boundaries consist of all of Jefferson County, Washington.

The Port is governed by a three-member Board of Commissioners; each elected to a four-year term. The Commission delegates administrative authority to an Executive Director and staff to conduct operations of the Port. The County levies and collects taxes on the Port District's behalf, as determined by the Board of Commissioners, and acts as treasurer for the Port as defined under RCW 53.36.010.

Mission

The Mission of the Port of Port Townsend is to serve the citizens of Jefferson County by responsibly maintaining and developing property and facilities to promote sustainable economic growth, to provide community access to Port facilities and services, and to protect and maintain our community resources and maritime heritage.

Organizational Chart



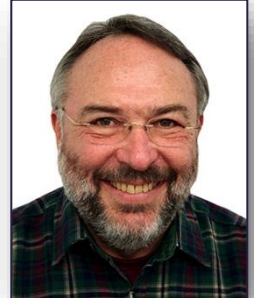
Port Commissioners

The Mission of the Port of Port Townsend is to serve the citizens of Jefferson County by responsibly maintaining and developing property and facilities to promote sustainable economic growth, to provide community access to Port facilities and services, and to protect and maintain our community resources and maritime heritage.

District 1 Commissioner: *Stephen R. Tucker, President*

Term of Office: *January 1, 2015 – December 31, 2019*

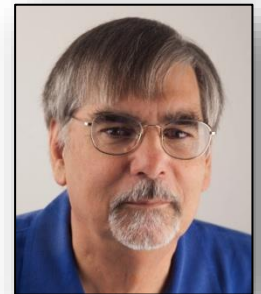
Commissioner Tucker was first elected Port Commissioner in 2011 and re-elected in 2015. He is a retired business owner and an avid boater, RV enthusiast, and fisherman. Over the years, through the Coast Guard Auxiliary and the Power Squadron, Steve has taught many courses in boating safety, maintenance, navigation and electronics.



District 2 Commissioner: *William Putney III, Secretary*

Term of Office: *January 1, 2018 – December 31, 2021*

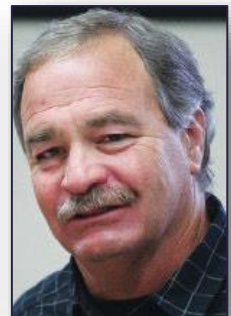
Commissioner Putney is serving his first term as Port Commissioner. He is a retired technologist and entrepreneur. Since his retirement in 2009, he has devoted himself to volunteering. Currently, Bill serves as the Chief Engineer at KPTZ, and volunteers for PTFF, Northwind Art Center and AAUW. He has his private pilot's license and holds an FAA Airframe and Powerplant Mechanic's certificate.



District 3 Commissioner: *Peter W. Hanke, Vice President*

Term of Office: *January 1, 2018 – December 31, 2021*

Commissioner Hanke was elected Port Commissioner in 2013. Mr. Hanke owns and operates Puget Sound Express, a family-owned passenger ferry and whale watch operation located at the Point Hudson marina. Besides being a boat captain and a business owner, Pete is also a pilot who has enjoyed flying out of Jefferson County International Airport since 1998.



OPERATING BUDGET

Overview

The goal of the 2019 Operating Budget is to align our business practices and objectives to support both our organizational capital needs and our short and long-term financial sustainability. The Port Commission has instructed staff to prepare a budget that supports the projects identified in the Capital Budget while avoiding a decrease in our net cash position.

Organizational Initiatives

As part of our efforts to improve the Port's financial position over the course of the coming year, we intend to:

- Develop a comprehensive set of planning documents that reflects Commission direction.
- Continue to develop a comprehensive review of all Port business operations, carefully examining the value proposition each provides to the Port and to our customers.
- Modernize business and administrative procedures across our operations.
- Complete the development of a robust Capital Plan and develop funding strategies in the near term.
- Directly pursue and develop business to increase the Port's Operating Revenue and Net Operating Income by utilizing capacity in the Shipyard, the Marinas, RV park, and Properties in Boat Haven and Point Hudson.
- Develop marketing and brand strategies to better position the Port in successfully attracting businesses and customers.
- Conduct a comprehensive review of existing pricing structures across all Port business operations focusing on moorage rates, yard rates, and lease rates, to better reflect the value of services provided and to optimize our operating margins.

Operating Revenues

The 2019 budget reflects total operating revenues of \$6,194,924, an increase of 5.2% from the 2018 budget. The key aspect of Port revenue is that it is trending upward over the past two years and should continue increasing. The goal is to grow Operating Revenue and Net Operating Income by \$200K or more year-over-year while controlling expenses to contribute to our Capital Improvement Program. Overall, the Port's revenues are spread throughout the operating units with Boat Haven providing 30.6%, Yard 29.5%, PTBH Properties 10.4%, Point Hudson 23.9%, Quilcene 2.6%, Ramps 0.8%, and Airport 2.2%.

Operating Expenses

Port wide operating expenses are budgeted to be \$5,038,368 in 2019, a 4.4% decrease from the 2018 budget. An overall decrease for expenses was obtained by reducing various expenses (such as an Administrative Staff position, Contract Services, Legal & Auditing, Operating Supplies, Advertising, Utilities, etc.) even though there are increases in staffing costs with the implementation of more current salaries, as well as increased cost in benefits. Administrative and General (A & G) expenses total \$1,569,151 (without depreciation) or 31% of total operating expenses. A & G costs are allocated to each operating unit based on a percentage of that unit's operating revenues.

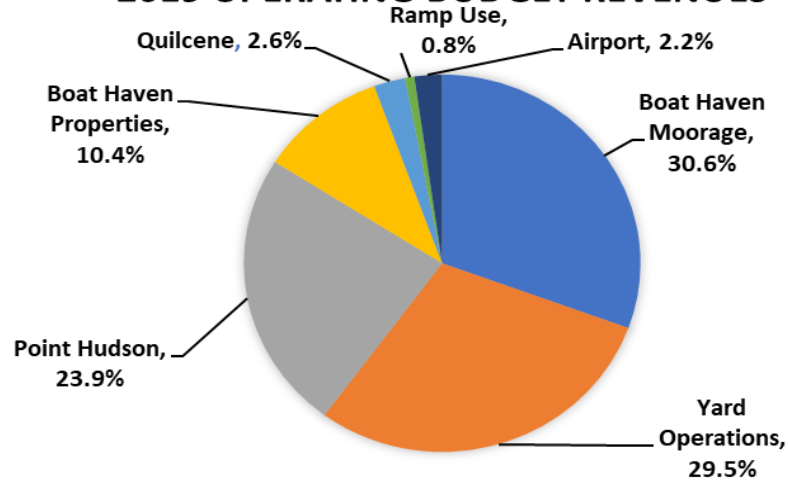
Operating Income

The 2019 budget reflects a net operating income of \$1,156,556 before depreciation, an increase of 88.2% when compared to 2018. The majority of the increase in net operating income over prior year is primarily from projected increased revenues of nearly \$320,000 as well as expense reductions of \$222,277.

Non-Operating Revenue & Expenses

The 2019 budget reflects a \$1,008,000 tax levy, which is an increase of 2.2%. This is based on estimates obtained from and recommended by the County Assessor. Interest income is budgeted conservatively at \$42,200 for 2019, which includes the ARRA Bond Interest Subsidy received semi-annually on the 2010 Limited Tax General Obligation (LTGO) bond. Grant revenue is budgeted at \$4,368,028 in anticipation of completing the Jefferson County International Airport Runway Rehabilitation project as well as the CERB grant for a Quilcene feasibility study. Non-operating expenses consist of interest expense on the debt service of \$293,838 as well as other non-operating expenses of \$11,000.

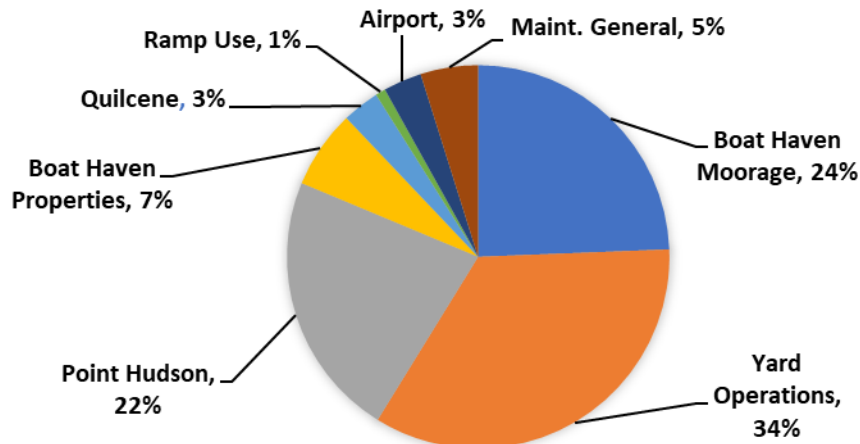
2019 OPERATING BUDGET REVENUES



2019 Operating Budget Revenue

Boat Haven Moorage	\$ 1,894,472
Yard Operations	1,830,288
Point Hudson	1,480,374
Boat Haven Properties	644,660
Quilcene	159,472
Ramp Use	46,700
Airport	\$ 138,958
	<u>\$ 6,194,924</u>

2019 OPERATING BUDGET EXPENSES



2019 Operating Budget Expenses

Boat Haven Moorage	\$ 1,228,358
Yard Operations	1,734,845
Point Hudson	1,132,250
Boat Haven Properties	333,046
Quilcene	158,082
Ramp Use	43,094
Airport	163,255
Maint. General	245,368
	<u>\$ 5,038,298</u>

Summary Operations and Non-Operating Budget

Port of Port Townsend
CONSOLIDATED OPERATING & NON-OPERATING
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Marinas and RV Parks	2,549,880	2,604,539	2,864,716	260,177
Yard Operations	1,421,708	1,768,384	1,801,788	33,404
Property Leases & Use	1,153,884	1,166,522	1,196,011	29,489
Fuel Sales & Leases	45,056	47,100	38,865	(8,235)
Ramp Use	60,322	60,900	60,900	-
Utilities	219,199	227,630	232,644	5,014
Total Operating Revenues	\$ 5,450,049	\$ 5,875,075	\$ 6,194,924	\$ 319,849
OPERATING EXPENSES				
Salaries & Wages	2,103,069	2,128,656	2,118,526	(10,130)
Payroll Taxes	217,816	298,102	231,824	(66,278)
Employee Benefits	731,355	776,916	771,338	(5,578)
Uniform Expense	6,736	9,311	8,426	(885)
Contract Services	306,052	290,000	281,185	(8,815)
Consulting Services	177,941	165,000	136,000	(29,000)
Legal fees	120,027	130,000	100,000	(30,000)
Audit	3,034	7,500	-	(7,500)
Facilities & Operations	746,165	761,710	708,903	(52,807)
Utilities	552,180	525,000	553,383	28,383
Marketing & Advertising	32,737	81,450	53,805	(27,645)
Economic Development	30,000	30,000	30,000	-
Travel & Training	30,590	35,000	34,013	(987)
Cost of Goods - Fuel	16,730	18,000	10,965	(7,035)
Community Relations	2,610	4,000	-	(4,000)
Total Operating Expenses	\$ 5,077,041	\$ 5,260,645	\$ 5,038,368	\$ (222,277)
Income from Operations w/o Depr	373,008	614,430	1,156,556	542,126
Depreciation Expense	1,585,632	1,605,300	1,546,958	(58,342)
Income (Loss) from Operations with Depr	\$ (1,212,624)	\$ (990,870)	\$ (390,402)	\$ 600,468
Non-Operating Revenue				
Capital Contributions/Grants	280,658	1,187,727	4,368,028	3,180,301
Interest	45,108	41,000	42,200	1,200
Property & other taxes	1,037,038	1,041,000	1,064,490	23,490
Misc Non-Operating Revenue	535,856	35,000	35,000	-
Total Non-Operating Revenues	\$ 1,898,660	\$ 2,304,727	\$ 5,509,718	\$ 3,204,991
Non-Operating Expenses				
Bond Interest	341,943	332,127	293,838	(38,289)
Bond Mgmt, Issuance, Investment	1,458	1,500	1,500	-
Election Expense	11,951	-	9,500	9,500
Total Non-Operating Expenses	\$ 355,352	\$ 333,627	\$ 304,838	\$ (28,789)
Net Non-Operating Income(Expense)	1,543,308	1,971,100	5,204,880	3,233,780
Net Income (Loss)	\$ 330,684	\$ 980,230	\$ 4,814,477	\$ 3,834,247

2019 Departmental Operating Budgets

Boat Haven Moorage

Boat Haven moorage will increase \$82,989 in permanent moorage due partially to a rate increase of CPI as well as an increase overall in terms of occupancy and utilization. Additionally, monthly guest moorage will contribute nearly \$49,000 during the winter season.

Port of Port Townsend
BOAT HAVEN MOORAGE OPERATIONS
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
PTBH - Permanent Moorage	1,050,478	1,103,000	1,185,989	82,989
PTBH - Liveaboard Fee	20,006	21,840	26,391	4,551
PTBH - Work Float/Lift Pier Usage	12,417	13,520	7,081	(6,439)
PTBH - Monthly Guest	268,583	283,171	331,931	48,760
PTBH - Nightly Guest	211,180	219,200	209,631	(9,569)
PTBH - Miscellaneous Revenue	13,139	14,036	11,575	(2,461)
PTBH - Showers	21,777	22,570	21,510	(1,060)
PTBH - Laundry	687	6,000	6,864	864
PTBH - Electric	82,340	88,500	93,500	5,000
Total Operating Revenues	\$ 1,680,606	\$ 1,771,837	\$ 1,894,472	\$ 122,635
OPERATING EXPENSES				
Moorage Pay	217,225	174,334	216,412	42,078
Moorage Taxes	26,769	32,676	23,807	(8,869)
Moorage Benefits	75,195	69,096	76,336	7,240
Uniform Expense	122	1,076	1,076	-
Maint Pay	44,123	47,292	34,404	(12,888)
Maint Taxes	5,337	7,824	3,785	(4,039)
Maint Benefits	15,626	16,740	11,316	(5,424)
Contract Services	33,480	37,200	36,000	(1,200)
Consulting Services	1,750	-	-	-
Facilities & Operations	162,137	158,496	161,852	3,356
Utilities	169,432	165,400	172,441	7,041
Marketing & Advertising	7,856	11,160	7,615	(3,545)
Travel & Training	1,361	1,000	1,000	-
General & Administrative	488,855	546,974	482,314	(64,660)
Total Operating Expenses	\$ 1,249,267	\$ 1,269,268	\$ 1,228,358	\$ (40,910)
Income from Operations w/o Depr	\$ 431,340	\$ 502,569	\$ 666,114	\$ 163,545

Boat Haven Yard

Overall Yard revenue is expected to increase slightly (\$33,404) over 2018 levels, though 2018 was an aggressive year for revenue growth. The Shipyard storage revenue is anticipated to decrease 5% due to the loss of a key tenant. This loss should be offset by focused efforts to bring in other vessels and business by Port staff.

The Boatyard is expected to increase in both hoist revenue and storage with direct marketing by both the Port staff and Marine Trades. Also, both the 70 and 75-ton hoists should remain in service during the coming year. Additionally, the Port staff, in partnership with the Marine Trades, developed a pricing rate for longer term storage of vessels with the intent of driving significantly higher numbers of vessels into the Boatyard. The discounted rate will be in effect until September, when it will be examined to determine if the rate effectively increased demand and use of the Boatyard, as anticipated.

Long term storage and ancillary revenue from the aforementioned efforts should also increase these line items modestly. With the reduction in operating expenses, the net effect should be a positive net income from operations of \$94,443.

Capital projects:

- Boat Haven Workyard Surfacing project in support of our stormwater compliance program. Estimated costs are \$100,000.
- Tide Gate Repair / Replacement project could run as high as \$100,000 if pump or tide gate replacement is needed. Currently budgeted at \$30,000.

Port of Port Townsend
WORK & SHIP YARD OPERATIONS
 2019 Budget with Comparison to Prior Years
3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Yard - Work Yard Revenue	489,139	549,017	559,293	10,276
Yard - 70/75 Ton Hoist Revenue	300,863	305,460	332,758	27,298
Yard - Ship Yard Revenue	276,768	435,251	415,022	(20,229)
Yard - 300 Ton Hoist Revenue	148,530	169,295	196,408	27,113
Yard - Washdown Revenue	68,896	83,095	96,158	13,063
Yard - Bilge Water Revenue	4,162	6,000	6,971	971
Yard - L/T Storage	63,134	60,000	72,326	12,326
Yard - Blocking Rent	29,397	30,576	36,943	6,367
Yard - Off Port Property Tarp Fee	400	57,000	29,405	(27,595)
Customer Revenue Share	-	60,000	30,000	(30,000)
Yard - Liveaboard Fee	35	140	140	-
Yard - Miscellaneous Revenue	7,325	7,550	6,364	(1,186)
Yard - Enviro Fee	140	5,000	20,000	15,000
Marine Trades 3% Revenue	32,919	-	-	-
Yard - Electric	29,663	28,500	28,500	-
Total Operating Revenues	\$ 1,451,371	\$ 1,796,884	\$ 1,830,288	\$ 33,404
OPERATING EXPENSES				
Yard Pay	518,842	557,033	548,995	(8,038)
Yard Taxes	58,411	82,596	59,944	(22,652)
Yard Benefits	181,853	199,656	201,648	1,992
Uniform Expense	4,215	3,480	3,480	-
Maint Pay	56,727	58,560	42,891	(15,669)
Maint Taxes	6,717	9,572	4,718	(4,854)
Maint Benefits	20,019	20,510	14,100	(6,410)
Contract Services	75,011	43,000	45,440	2,440
Facilities & Operations	215,723	222,654	239,119	16,465
Utilities	90,976	85,200	91,579	6,379
Marketing & Advertising	10,494	13,350	17,896	4,546
Travel & Training	2,184	2,400	3,413	1,013
General & Administrative	439,750	554,706	461,622	(93,084)
Total Operating Expenses	\$ 1,680,923	\$ 1,852,717	\$ 1,734,845	\$ (117,872)
Income from Operations w/o Depr	\$ (229,553)	\$ (55,833)	\$ 95,443	\$ 151,276

Point Hudson

Point Hudson RV park revenue is expected to increase significantly by almost \$22,000 as staff promotes winter monthly stays to customers. Nightly revenue should also increase modestly over the previous year.

Point Hudson moorage revenue is budgeted for a \$91,503 increase in nightly guest business. This increase is because of the anticipated South Jetty Breakwater Replacement project budgeted for 2018. Since the Point Hudson Jetty bids came in too high and the project did not move forward, the budgeted reduction of revenue also did not occur in 2018. This revenue reflects normal operations and thus normal revenue goals.

Monthly guest moorage revenue and adjustments to reservation fees should provide some slight additional gains in revenue.

City Pier and Union Wharf in 2019 are expected to be slightly less from the previous year.

Capital projects:

- Washington Department of Fish and Wildlife (WDFW) Building Air Quality project to improve air quality in the building. This project is estimated not to exceed \$95,000 in 2019. These efforts assume a portion of the work was conducted in 2018 at a maximum budget of an additional \$95,000.
- Point Hudson Jetty – Repair and Maintenance project. The Point Hudson Jetty Replacement project was not approved in 2018. Therefore, funding will be reserved for jetty repairs during the coming years to preserve operation of the Point Hudson Marina and associated operations. Estimated contingency of \$250,000 will be held for use on an as-needed basis.

Port of Port Townsend
POINT HUDSON OPERATIONS
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Pt Hudson - Permanent Moorage	136,068	141,711	141,562	(149)
Pt Hudson - Liveaboard Fee	4,720	5,096	4,750	(346)
Pt Hudson - Monthly Guest	100,122	86,300	108,983	22,683
Pt Hudson - Nightly Guest	214,362	115,840	207,343	91,503
City Pier & Union Wharf Usage	9,262	24,000	20,494	(3,506)
Pt Hudson - Monthly R.V.	41,249	43,100	64,990	21,890
Pt Hudson - Nightly R.V.	325,204	360,360	364,509	4,149
Pt Hudson - Kayak Racks	9,271	9,000	9,304	304
Pt Hudson - Reservation Fee	38,696	40,150	44,240	4,090
Pt Hudson - Showers	7,087	9,000	8,428	(572)
Pt Hudson - Laundry	9,218	10,000	12,201	2,201
Pt Hudson - Passenger Fee	6,110	21,500	14,324	(7,176)
Pt Hudson - Promotional Sales	-	-	327	327
Pt Hudson - Miscellaneous Rev	3,814	4,100	2,420	(1,680)
Pt Hudson - Building Lease Revenue	379,917	383,000	374,464	(8,536)
Pt Hudson - Parking	122	10,380	3,760	(6,620)
Pt Hudson - Event Facility Rev	24,974	24,700	28,415	3,715
Pt Hudson - Electric	32,987	36,730	31,850	(4,880)
Pt Hudson - Property Utility Reimb	35,406	36,700	38,010	1,310
Total Operating Revenues	\$ 1,378,588	\$ 1,361,667	\$ 1,480,374	\$ 118,707
OPERATING EXPENSES				
Point Hudson Pay	125,237	134,580	152,674	18,094
Point Hudson Taxes	16,997	19,231	16,073	(3,158)
Point Hudson Benefits	41,575	45,312	52,027	6,715
Uniform Expense	164	960	960	-
Maint Pay	108,459	110,400	120,660	10,260
Maint Taxes	13,218	14,124	13,273	(851)
Maint Benefits	38,850	39,852	39,660	(192)
Contract Services	41,588	42,500	46,989	4,489
Facilities & Operations	90,335	151,201	115,922	(35,279)
Utilities	184,839	178,750	188,481	9,731
Marketing & Advertising	6,399	14,040	9,355	(4,685)
Travel & Training	274	600	600	-
General & Administrative	387,524	420,352	375,576	(44,776)
Total Operating Expenses	\$ 1,055,458	\$ 1,171,902	\$ 1,132,250	\$ (39,652)
Income from Operations w/o Depr	\$ 323,130	\$ 189,765	\$ 348,124	\$ 158,359

Note: The 2018 revenue for Point Hudson Monthly and Nightly Guest were reduced in anticipation of the South Jetty Breakwater replacement. These were reduced by approximately \$14,000 and \$100,000, respectively.

Boat Haven Properties

Properties are expected to increase by approximately \$31,000, or about 5%, due to leasing vacancies and CPI adjustments in rental rates.

Staff will be focusing efforts on leasing vacancies at Point Hudson and the Boat Haven. All assets are marine dependent or related uses for manufacturing, warehousing and related office requirements.

Capital projects:

- New Day Fisheries Re-roofing project which was originally estimated at \$38,000.
- Boat Haven Water Meters project is to install metering of use by the Port and tenants. Estimated costs are \$30,000.
- Boat Haven Backflow Preventer project has been broken into a separate project from the water submetering project. Estimated cost is around \$30,000.
- Boat Haven Restroom project to improve the restrooms to a better level of service is budgeted at \$18,000.

Port of Port Townsend
BOAT HAVEN PROPERTIES OPERATIONS
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
PTBH Prop - Lease Revenue	549,067	556,620	584,918	28,298
PTBH Prop - Water, Swr, Garbage, Other	21,308	20,300	20,300	-
PTBH Prop - Stormwater Fees	7,493	7,500	7,500	-
PTBH Prop - Electric	1,802	1,800	2,662	862
PTBH Prop - Fuel Dock Lease	21,158	21,000	21,000	-
PTBH Prop - Storage Unit Revenue	6,334	6,650	8,280	1,630
PTBH Prop - Miscellaneous	4,688	-	-	-
Total Operating Revenues	\$ 611,849	\$ 613,870	\$ 644,660	\$ 30,790
OPERATING EXPENSES				
PTBH Property Pay	2,708	2,705	6,188	3,483
PTBH Property Taxes	368	527	681	154
PTBH Property Benefits	969	1,238	2,730	1,492
Maint Pay	44,446	45,792	49,018	3,226
Maint Taxes	5,454	7,440	5,392	(2,048)
Maint Benefits	15,782	16,326	16,116	(210)
Contract Services	13,164	9,000	9,000	-
Facilities & Operations	77,083	58,112	36,966	(21,146)
Utilities	38,203	35,200	43,724	8,524
Marketing & Advertising	-	-	639	639
General & Administrative	180,640	189,504	162,592	(26,912)
Total Operating Expenses	\$ 378,818	\$ 365,844	\$ 333,046	\$ (32,798)
Income from Operations w/o Depr	\$ 233,030	\$ 248,026	\$ 311,614	\$ 63,588

Note: In 2017, there was a Department of Revenue audit; the results required back payment to the Port for leasehold taxes on the cell tower lease.

Quilcene

Quilcene is budgeted to produce a modest increase in net operating income. The increase is mostly due to gains in moorage and RV revenue for the coming year and a reduction in A & G. Utilities will be an area of focus during 2019 for controlling expenses and providing value to customers.

Capital projects:

- Coast Seafoods Re-roofing project is estimated at \$48,000.
- Water and Septic Systems Improvement project to ensure contractual and regulatory compliance. Costs are estimated to run between \$5,000 and \$15,000.

Port of Port Townsend
QUILCENE MARINA & RV OPERATIONS
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Quilcene - Permanent Moorage	38,028	40,800	48,117	7,317
Quilcene - Liveaboard Fee	-	-	225	225
Quilcene - Nightly Moorage	4,397	5,630	3,645	(1,985)
Quilcene - Monthly R.V.	-	-	2,985	2,985
Quilcene - Nightly R.V.	1,209	1,400	1,208	(192)
Quilcene - Showers	2,451	2,600	3,074	474
Quilcene - Miscellaneous Revenue	-	215	215	-
Quilcene - Reservations	345	400	400	-
Quilcene - Rental Property Revenue	1,000	-	-	-
Quilcene - Lease Revenue	58,760	58,752	62,028	3,276
Quilcene - Fuel Sales	20,629	23,100	14,700	(8,400)
Quilcene - Recreational Ramp Fees	9,512	9,600	9,600	-
Quilcene - Commercial Use Fees	4,600	4,600	4,600	-
Quilcene - Water	5,431	5,500	7,486	1,986
Quilcene - Electric	888	900	1,189	289
Total Operating Revenues	\$ 147,250	\$ 153,497	\$ 159,472	\$ 5,975
OPERATING EXPENSES				
Quilcene Pay	24,166	29,286	22,282	(7,004)
Quilcene Taxes	4,061	4,350	2,451	(1,899)
Quilcene Benefits	3,755	3,950	5,444	1,494
Maint Pay	29,942	18,960	23,566	4,606
Maint Taxes	3,589	2,552	2,592	40
Maint Benefits	10,913	6,156	7,752	1,596
Contract Services	24,127	13,600	9,120	(4,480)
Facilities & Operations	44,730	13,834	20,773	6,940
Utilities	14,386	13,980	12,015	(1,965)
Marketing & Advertising	72	700	700	-
Travel & Training	-	200	200	-
Cost of Fuel Sold	16,730	18,000	10,965	(7,035)
General & Administrative	41,712	47,385	40,222	(7,163)
Total Operating Expenses	\$ 201,455	\$ 154,953	\$ 158,082	\$ (7,835)
Income from Operations w/o Depr	\$ (54,205)	\$ (1,456)	\$ 1,390	\$ 13,810

Ramps

The Port has boat launch ramps located in Port Townsend, Mats Mats in Port Ludlow, Port Hadlock and Gardiner. All these boat ramps are single ramps, except for the one in Port Townsend which is a double ramp. Ramp activity is budgeted the same as 2018 for operating revenue with a slight decrease in expenses. Port staff will work in 2019 with tribal leaders to establish a commercial rate structure for tribal fisheries.

Port of Port Townsend
BOAT RAMP OPERATIONS
 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Ramp Fees	37,868	40,000	40,000	-
PTBH - Commercial Use Fees	7,200	5,600	5,600	-
Dinghy Float Revenue	1,142	1,100	1,100	-
Total Operating Revenues	\$ 46,210	\$ 46,700	\$ 46,700	\$ -
OPERATING EXPENSES				
Ramps Pay	4,849	5,460	4,800	(660)
Ramps Taxes	551	850	480	(370)
Ramps Benefits	1,199	1,380	1,752	372
Maint Pay	10,504	12,504	7,070	(5,434)
Maint Taxes	1,268	2,500	778	(1,722)
Maint Benefits	3,742	4,380	2,328	(2,052)
Facilities & Operations	5,912	6,466	7,458	992
Utilities	3,726	3,750	3,750	-
Marketing & Advertising	2,350	3,000	2,900	(100)
General & Administrative	15,230	14,416	11,778	(2,638)
Total Operating Expenses	\$ 49,331	\$ 54,706	\$ 43,094	\$ (11,612)
Income from Operations w/o Depr	\$ (3,121)	\$ (8,006)	\$ 3,606	\$ 11,612

Jefferson County International Airport (JCIA)

JCIA revenues are estimated to increase by approximately 6% primarily due to applying CPI to lease and hangar rates. Expenses will be slightly more, approximately 1.5%, than the previous year.

Capital projects:

- JCIA Runway Replacement. The airport runway rehabilitation project is being funded largely (90%) by the Federal Aviation Association (FAA) in order to replace the nearly 30-year-old existing runway. This final phase is estimated at \$4.4M. We anticipate another 5% funding from the Washington State Department of Transportation.
- JCIA Stormwater and Ditch Cleaning projects will require ditch and culvert cleaning. This work will be scheduled concurrently with the runway rehabilitation work.

Port of Port Townsend

JEFFERSON COUNTY INTERNATIONAL AIRPORT OPERATIONS 2019 Budget with Comparison to Prior Years

3rd DRAFT 10/24/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
JCIA - Lease Revenue	106,350	104,400	110,287	5,887
JCIA - Hangar Revenue	20,362	20,000	22,424	2,424
JCIA - Vehicle Parking Revenue	540	720	720	-
JCIA - Aircraft Parking	1,471	1,200	615	(585)
JCIA - Fuel Lease Revenue	3,270	3,000	3,165	165
JCIA - Electric	1,883	1,200	1,647	447
JCIA - Miscellaneous Revenue	300	100	100	-
Total Operating Revenues	\$ 134,175	\$ 130,620	\$ 138,958	\$ 8,338
OPERATING EXPENSES				
JCIA Pay	3,601	3,672	6,188	2,516
JCIA Taxes	482	740	681	(59)
JCIA Benefits	1,280	1,284	2,730	1,446
Maint Pay	29,424	30,336	34,878	4,542
Maint Taxes	3,731	4,876	3,837	(1,039)
Maint Benefits	10,587	9,840	11,460	1,620
Contract Services	21,272	19,680	19,680	-
Facilities & Operations	33,267	32,100	30,030	(2,070)
Utilities	19,362	18,020	18,693	673
General & Administrative	40,909	40,323	35,048	(5,275)
Total Operating Expenses	\$ 163,915	\$ 160,871	\$ 163,225	\$ 2,354
Income from Operations w/o Depr	\$ (29,739)	\$ (30,251)	\$ (24,267)	\$ 5,984

CAPITAL BUDGET

Overview

Only a limited number of capital projects are currently funded. The list of needs is greater than available funding. Staff will examine capital projects not listed here on a case by case basis. If a project can be funded through rents or on a reimbursable basis and provide a payback or break even within the current fiscal year, then it may be considered. Additional projects may reallocate operating expenses categorized as “Maintenance & Repair” expenses,” to capital needs as the source of funding.

JCIA Runway Rehabilitation

The Jefferson County International Airport (JCIA) runway was constructed in 1990 with a design life of 20 years. The runway has been well maintained at a serviceable level far beyond its design life and is now 30 years old. The Capital Improvement Plan calls for the rehabilitation or replacement of the runway. The overall development objective of this project is to reconstruct the 3,000 foot by 75 foot wide runway and relocate the center taxiway for safety improvements at JCIA.

JCIA Stormwater & Ditch Cleaning

The airport stormwater system includes clearing the culverts and ditches and surrounding area to ensure adequate drainage for safe and consistent use of the airport. This work will be conducted in parallel with the runway in terms of scheduling. Costs are estimated between \$10,000 and \$15,000.

Boat Haven Workyard Resurfacing

The Port has received an Administrative Order from the WA Dept. of Ecology to design and install stormwater treatment improvements to come into compliance with state water quality standards. The improvements will help keep heavy metals and other pollutants from entering Port Townsend Bay. Stormwater project will be ongoing with the goal of meeting benchmark. This effort will involve more grading and addition of rock to improve performance.

Tide Gate Repair / Replacement

Tide Gate and likely repair or replacement will involve first cleaning the tide gate to determine if proper operation can be re-established. It could run as high as \$100,000 if pump or tide gate replacement is needed. Currently this work is budgeted at \$30,000 with the anticipation that a repair will be adequate.

Boat Haven Water Sub-Meters

To install meters for measuring water use by the Port and tenants. Estimated costs are \$30,000.

Boat Haven Backflow Preventer

The project involves replacement of an existing (and aged) backflow prevention assembly near the Boat Haven restrooms. This project has been made into a separate project from the water submetering project. Estimated cost is approximately \$30,000.

Boat Haven Restroom

To improve the restrooms to a better level of service which is budgeted at \$18,000.

New Day Fisheries Roof

This project involves the replacement of approximately 1/3 of the roof on New Day Fisheries' Building. Project was originally estimated at \$38,000.

Coast Seafoods Re-roofing

Re-roofing the building at Coast Seafoods located at the Quilcene property is estimated to cost \$48,000.

WDFW Building Air Quality

Install air handling system to improve air quality. Also, other mitigation measures may be required such as undercoating the building.

Point Hudson Jetty – Repair and Maintenance

The Point Hudson Jetty Replacement Project was not approved in 2018. Therefore, funding will be reserved for jetty repairs during the coming years to preserve operation of the Point Hudson Marina and associated operations. Estimated reserves of \$250,000 will be held and used on an as-needed basis.

CASH FLOW PROJECTIONS

Assumptions

In September, a projection for the remainder of 2018 was presented to the Commission. This resulted in estimated ending cash for 2018 and is included in the cash flow (presentation was based on YTD July activity, the remaining year budget and any relevant known differences from the budget, such as staffing and the pause of the Point Hudson South Jetty project). At month end August, 67% through the year, revenues were at 67% of budget and expenses were at 63% of budget.

For years 2019-2021, we projected annual increases in revenue and expense both by 3% which is an approximation of the Port's historical increases over the years.

Non-Operating Revenues and Expenses are based on 2019 known and anticipated projections such as grants, the property tax levy, debt service interest, the JCIA Runway Rehabilitation project and future election costs.

Capital Expenses only include the JCIA Runway Rehabilitation project, vehicles, contingency for an emergency repair of the Point Hudson South Jetty and some small capital projects as yet unidentified.

Debt Service principle is in accordance with the bond amortization schedules. No new debt is planned at this time.

2019-2021 Budgeted Cashflow Summary

DRAFT Budgeted Cashflow 10-24-18

	2019 Budgeted Cashflow	2020 Budgeted Cashflow	2021 Budgeted Cashflow
Estimated Beginning Year Cash & Investments, <i>per 9/10/18 estimates</i>			
Unreserved Cash & Investments	\$ 707,290	\$ 1,305,362	\$ 2,095,867
Reserved Cash & Investments	957,423	1,027,423	1,097,423
Operating Revenues (after 2019, includes 3% annual increase)	6,194,924	6,380,772	6,572,195
Operating Expenses (w/o depreciation, after 2019, includes 3% annual increase)	(5,038,368)	(5,189,519)	(5,345,205)
2020 one (1) year Federal and two (2) year Financial & Accountability Audit	-	(26,300)	-
Non-Operating Revenues			
Grants - JCIA Airport Improvmt (AIP) grant	4,318,028	-	-
Grants - Quilcene CERB	50,000	-	-
Interest (<i>bond rebate and investment interest</i>)	42,200	44,200	46,200
Property Tax Levy & other taxes (<i>conservative</i>)	1,064,490	1,074,490	1,084,490
Miscellaneous	35,000	35,000	35,000
Non-Operating Expenses			
Bond interest (<i>per bond amortization schedules</i>)	(293,838)	(276,488)	(250,888)
Bond management fees	(1,500)	(1,650)	(1,750)
Elections (<i>2019 district 1, 2021 districts 2 & 3</i>)	(9,500)	-	(13,750)
Debt service - principle payments	(715,000)	(755,000)	(785,000)
Capital expenses (from Grants)			
JCIA AIP - remainder of Phase II Engineering	(138,028)	-	-
JCIA AIP - Phase III Construction (90%)	(3,960,000)	-	-
JCIA WSDOT - Phase III Construction (5%)	(220,000)	-	-
Capital expenses (from Unreserved Cash)			
JCIA Port match - remainder of Phase II Engineering (10%)	(15,336)	-	-
JCIA Port match - Phase III Construction (5%)	(220,000)	-	-
Small capital projects	(125,000)	(125,000)	(130,000)
Capital expenses (from Reserves) - vehicle replacement	(50,000)	(50,000)	(50,000)
Contingency funds - Emergency repair on Point Hudson Jetty	(250,000)	(250,000)	(250,000)
Increase/(Decrease) in Cash	\$ 668,072	\$ 860,505	\$ 911,292
Total Estimated Ending Cash & Investments (beginning cash + incr/decr in cash)	\$ 2,332,785	\$ 3,193,290	\$ 4,104,582
Unreserved Cash & Investments	1,305,362	2,095,867	2,937,159
Reserved Cash & Investments	1,027,423	1,097,423	1,167,423
Total Estimated Ending Cash & Investments	\$ 2,332,785	\$ 3,193,290	\$ 4,104,582

Regular Tax Levy

The preliminary total assessed value (AV) for the Port District for 2019, as of budget adoption, is \$5,577,421,241. Per the County Assessor, the total recommended general tax levy to budget for 2019 is \$0.181 per \$1,000 of AV, which calculates to \$1,008,000.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on the property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required annually, which includes physical inspections every six (6) years while the remainder is done statistically.

The Port is permitted by law to levy up to 45 cents per \$1,000 of assessed valuation for general port purposes. The levy may go beyond the 45-cent limit to provide for G.O. bond debt service. The rate may be reduced for either of the following reasons:

1. Washington State Law in Revised Code (RCW) 84.55.010 limits the growth to 1% per year, plus adjustments for new construction,
2. If the assessed valuation increases by more than one (1) percent due to revaluation, the levy rate will be decreased.

Special Tax Levies

Special levies approved by the voters are not subject to the above limitation. The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed \$0.45 per \$1,000 of AV of taxable property.

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two (2) multiyear levy periods only. The levy may not exceed the sum of \$2.70 per \$1,000 of AV for taxable property in the Port District for taxes collected in the base year and the maximum allowable amount that could have been collected under RCW 84.55.010 for the first six (6) collection years of the levy period. The levy period may not exceed twenty years from the date the initial levy is made, and the levy rate in any year may not exceed \$0.45 per \$1,000 of AV. If a Port District intends to levy this tax over a second multiyear levy period, the Port must publish notice of intent to impose such a levy, and if signatures of at least eight (8) percent of the voters protest the levy a special election must be held with a majority approval required. The Port District has not levied this tax.

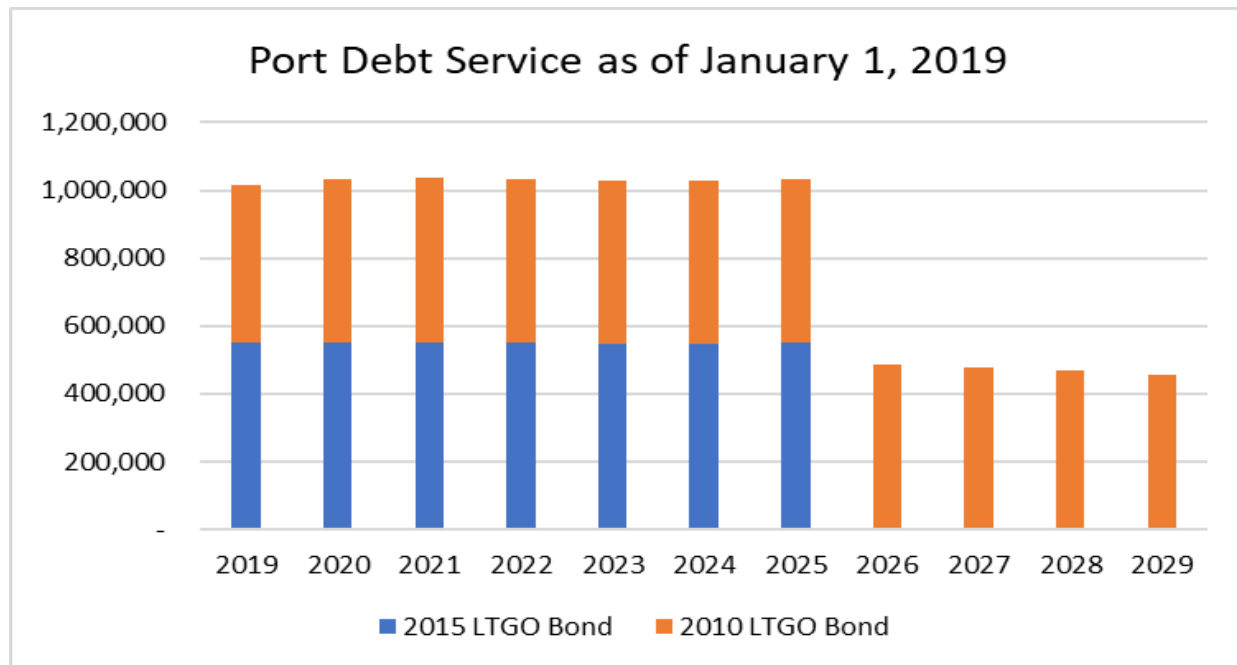
Tax Levy Uses

The Port Commission has directed that the funds collected by the tax levy will be used for debt service for general obligation bonds.

DEBT SERVICE

Name/Type of Debt	Principle Balance	Interest Balance	Pay-off Date
2015 LTGO Bond (refunded)	\$3,425,000	\$422,700	July 2025
2010 LTGO Bond	\$3,870,000	\$1,371,550	December 2029
Total	\$7,295,000	\$1,794,250	
		\$9,089,250	

Source: Bond Amortization Schedules



Use of Debt:

2015 LTGO Bond – Refunding of 2005 LTGO Bond used for Point Hudson Marina Construction

2010 LTGO Bond – Reconstruction of Boat Haven A/B Dock (83%) and 75 Ton Lift Pier (17%)