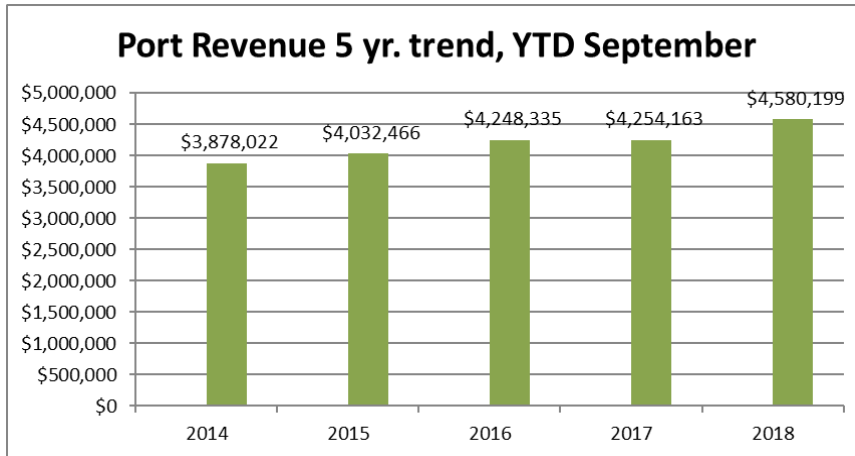
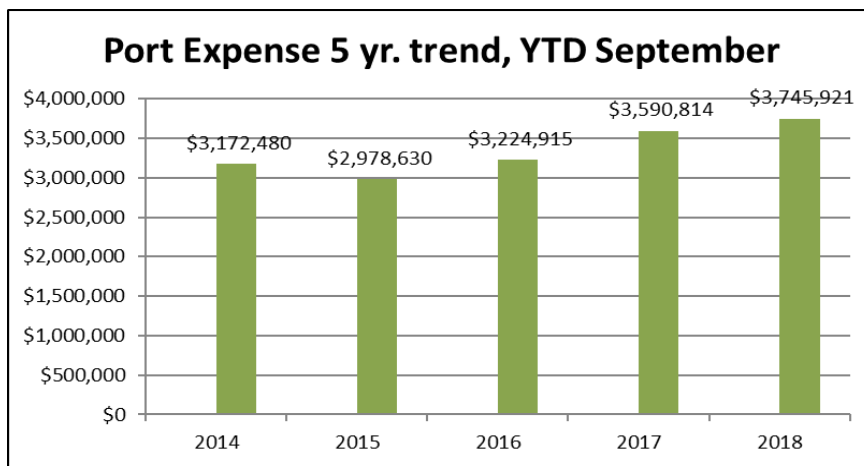


DATE: October 22, 2018
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of September 30, 2018



Revenue Highlights:

- ✓ Operating Revenues continue to surpass YTD revenues when compared to 2017, as well as the last four (4) years. September YTD 2018 is ahead of 2017 by \$326,036 or 7.7%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$83,812.
- ✓ Marinas & RV Parks revenue are the sector lead in revenues, not only from the rate increase implemented in January, but the new vision of maximizing capacity in all marinas and the Point Hudson RV park. Staff is doing a great job. Compared to 2017, Marinas & RV Parks revenue are ahead by \$216,197 and are ahead of budget by \$184,459.
- ✓ Overall, Yard revenues continue to be ahead of the prior year, by \$99,847, but are less than budgeted by \$107,094.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$42,764, and ahead of budget by \$27,450.
- ✓ Ship Yard revenues are ahead of last year by \$23,678, and below budget by \$60,868.
- ✓ Work Yard Hoist revenues continue to be ahead of last year, by \$13,601, while also being ahead of budget by \$12,543.
- ✓ Work Yard revenues were ahead of 2017 as of August but fell behind in September. Compared to 2017, these revenues are lower by \$2,063 and less than budgeted by \$43,357. Hopefully, it will pick up in October, however, it might be that the discounted rates are causing this reduction in revenue.
- ✓ Property Leases & Use Revenues are only slightly less than the prior year (\$283). Boat Haven properties continue to be strong, but the vacancies at Point Hudson are pulling down the trend.
- ✓ Fuel Sales & Leases continue to lag when compared to YTD 2017 (decrease of \$4,284). Both PTBH and JCIA are on par with YTD 2017, and slightly ahead of budget. It is Quilcene that is falling short. Some of this is due to staffing at this location and part is due to the shut-down of about a month and a half when there was a necessary fuel dispenser part replacement, but there was difficulty in obtaining the parts.
- ✓ Ramp revenues are less than YTD 2017 by \$3,869 and less than budget by \$7,055. For both PTBH and Quilcene, most of 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.
- ✓ Utilities Revenue are ahead of last year by \$18,428 and ahead of budget by \$16,987.



Expense Highlights:

- ✓ Total YTD 2018 Operating Expenses are more than 2017 by \$155,108 or 4.3%, yet below budget by \$169,762.
- ✓ Personnel costs are \$74,307 more YTD 2018 when compared to 2017, yet below budget YTD by \$76,493. Even with the 1st of 2 settlement payments to the prior ED made on August 31, Personnel costs are still below budget due to staff vacancies. It is likely that by year end, Personnel costs will exceed budget due to the ED separation agreement (2nd payment), the retirement of a 29-year Port employee and filling staff vacancies.
- ✓ Many of the budget variances in Operating Expenses are largely related to timing, which aren't always predictable (such as Contract Services, Consulting Services, and Facility & Operations).
- ✓ Facilities & Operations expenses are more than 2017 by \$1,756 and compared to budget are less by \$90,874. Though there are other offsets to the YTD budget comparisons of Facilities & Operations expenses, Repair and Maintenance is the largest at \$95,230 below budget.
- ✓ Utilities continue to be higher in 2018 than 2017 (\$39,979) and more than projected budget (\$50,516). Budget had been projected at less because of anticipated cost recoveries, however this program has not been implemented yet.
- ✓ Marketing costs have increased from YTD 2017 to 2018 by \$18,468 which is expected due to the increased emphasis on ads as well as other marketing tools. It is below budget YTD, primarily due to the timing of the website design implementation which was started later than anticipated in last year's budget cycle.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$4,354, which is in alignment with the comparative decrease in fuel sales noted on the revenue side (Quilcene).

YTD Net Operating Income is \$834,278 which is a \$170,928 increase from YTD 2017. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,621,884, which is an increase of \$383,237 over YTD 2017 (this is before debt service and capital expenses).

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:

- ✓ In accordance with the amortization of current debt, the Port's bond interest is less in 2018 when compared to 2017.
- ✓ The Miscellaneous Non-Operating expense for 2017 includes Quilcene Feasibility Study expenses.

Capital Projects:

This month, the Port expended \$21,168 in WIP (capital project "Work in Progress"). 80% of these expenses were for the JCIA Runway Rehabilitation project. The remaining amounts spent on WIP were for the Work Yard Re-surfacing project.

Capital Purchases:

Hydraulic repair work on the 300-ton Travelift (\$12,871) and procurement of blocking (\$13,773) for the Yard were capitalized in September. These are expected to each have a 10-year life.

Debt Service Obligations:

There were no debt service payments required in September. 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 \$2,284,508. Reserve balances totaled \$962,234 and Unreserved Cash & Investments totaled \$1,322,273.

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

	YTD Sep 2017	YTD Sep 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	2,000,981	2,217,179	216,197		2,032,720	184,459
Yard Operations	1,115,868	1,215,716	99,847		1,322,810	(107,094)
Property Leases & Use	874,299	874,016	(283)		873,854	162
Fuel Sales & Leases	36,238	31,954	(4,284)		35,600	(3,646)
Ramp Use	55,112	51,243	(3,869)		58,298	(7,055)
Utilities	171,664	190,092	18,428		173,105	16,987
Total Operating Revenues	4,254,163	4,580,199	326,036		4,496,387	83,812
OPERATING EXPENSES						
Salaries & Wages	1,563,892	1,613,348	49,456		1,602,325	11,023
Payroll Taxes	158,515	162,503	3,987		224,399	(61,896)
Employee Benefits	536,746	557,610	20,864		583,230	(25,620)
Uniform Expense	4,449	2,647	(1,802)		7,016	(4,369)
Contract Services	216,169	225,883	9,714		216,074	9,809
Consulting Services	85,397	54,278	(31,120)		123,750	(69,473)
Legal & Auditing	91,214	138,211	46,997		97,200	41,011
Facilities & Operations	500,405	502,161	1,756		593,035	(90,874)
Utilities	360,023	400,003	39,979		349,487	50,516
Marketing	26,074	44,542	18,468		62,960	(18,418)
Economic Development	15,000	15,000	-		15,000	-
Travel & Training	17,401	20,677	3,276		23,107	(2,430)
Cost of Goods - Fuel	13,413	9,059	(4,354)		14,100	(5,041)
Community Relations	2,115	-	(2,115)		4,000	(4,000)
Total Operating Expenses	3,590,814	3,745,921	155,108		3,915,683	(169,762)
Income from Operations w/o Depr	663,350	834,278	170,928		580,704	253,574
Non-Operating Revenue						
Capital Contributions/Grants	39,793	113,713	73,921		386,967	(273,254)
Interest	30,320	48,910	18,590		22,000	26,910
Property & other taxes	773,508	802,718	29,210		781,170	21,549
Misc Non-Operating Revenue	32,189	55,348	23,158		24,835	30,513
Total Non-Operating Revenues	875,810	1,020,689	144,879		1,214,972	(194,282)
Non-Operating Expenses						
Bond Interest	260,277	231,676	(28,601)		249,102	(17,426)
Bond Mgmt, Issuance & Misc Exp	40,237	1,408	(38,829)		1,135	273
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	300,513	233,084	(67,430)		250,237	(17,153)
Net Non-Operating Income (Expense)	575,297	787,606	212,309		964,735	(177,129)
Net Income (Loss)	1,238,647	1,621,884	383,237		1,545,439	76,445

Notes: none

Port of Port Townsend

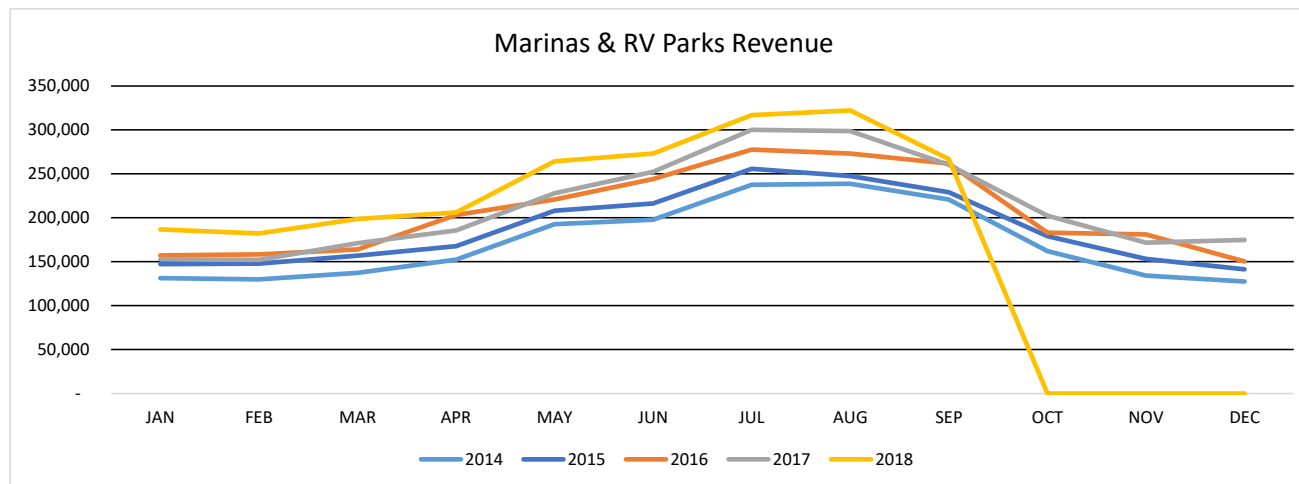
Cashflow Report

	<u>YTD September</u>
Net Income w/out Depreciation	1,621,884
Net Change in Accruals from Balance Sheet*	<u>(97,330)</u>
Less: Capital Expenses:	
Storm-water Rx project	(46,126)
Point Hudson South Jetty project	(177,762)
JCIA Runway project	(107,205)
Yard/Moorage Office Remodel project	-
PTBH Restroom	-
PTBH Water Meters project	(1,900)
Workyard Re-surfacing	(3,181)
Land	-
Buildings	-
Improvements	(25,485)
Equipment replacement	(70,740)
Total Capital Expenses	<u>(432,399)</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	458,926
Beginning Cash at 1/1/2018	1,825,582
Ending Cash at 9/30/18	<u><u>2,284,508</u></u>

**These are current assets and current liabilities.*

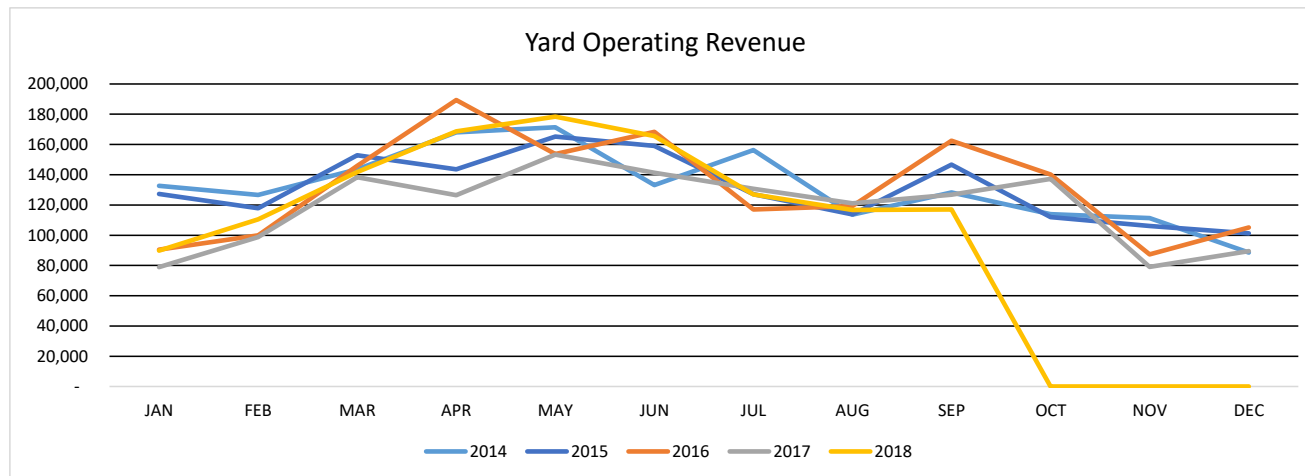
5 Year Trend of Marinas & RV Parks Revenue
Monthly as of September 30, 2018

	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	316,799	322,207	267,010	-	-	-	2,217,179



5 Year Trend of Yard Operations Revenue
Monthly as of September 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	127,052	116,728	117,069	-	-	-	1,215,716

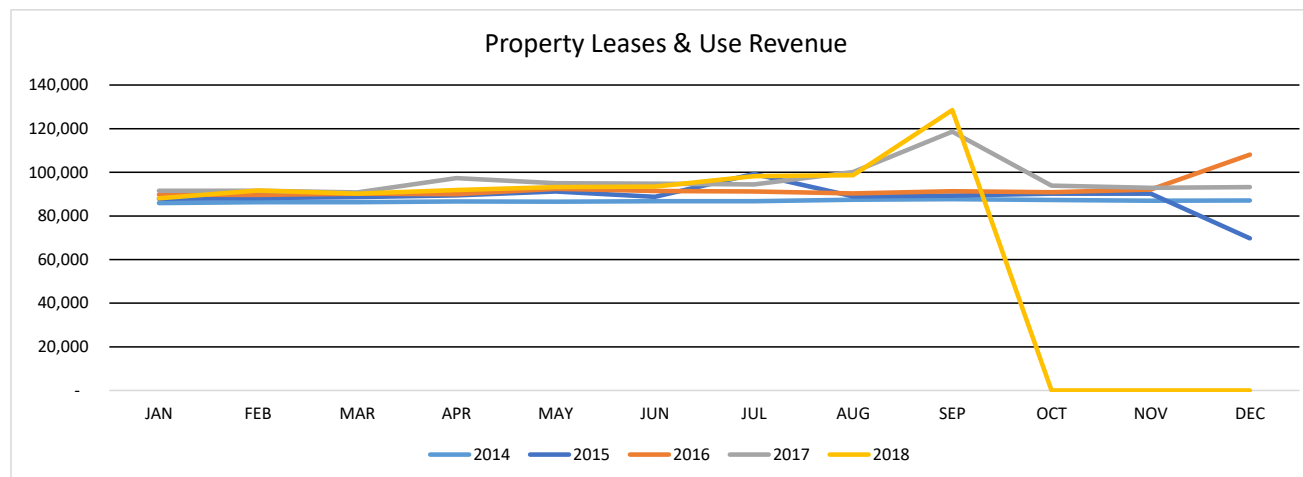


Notes:

1. Yard revenues for 2017 were affected by the failure of 75 ton Travelift. Compared to previous years January - August, 2017 was the lowest, followed by 2016. 2018 Yard revenues during this time period have rebounded being just below 2015 by ~\$8,000 and 2014 by ~\$46,500.

5 Year Trend of Property Lease & Use Revenue
Monthly as of September 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	98,281	98,722	128,520	-	-	-	874,016

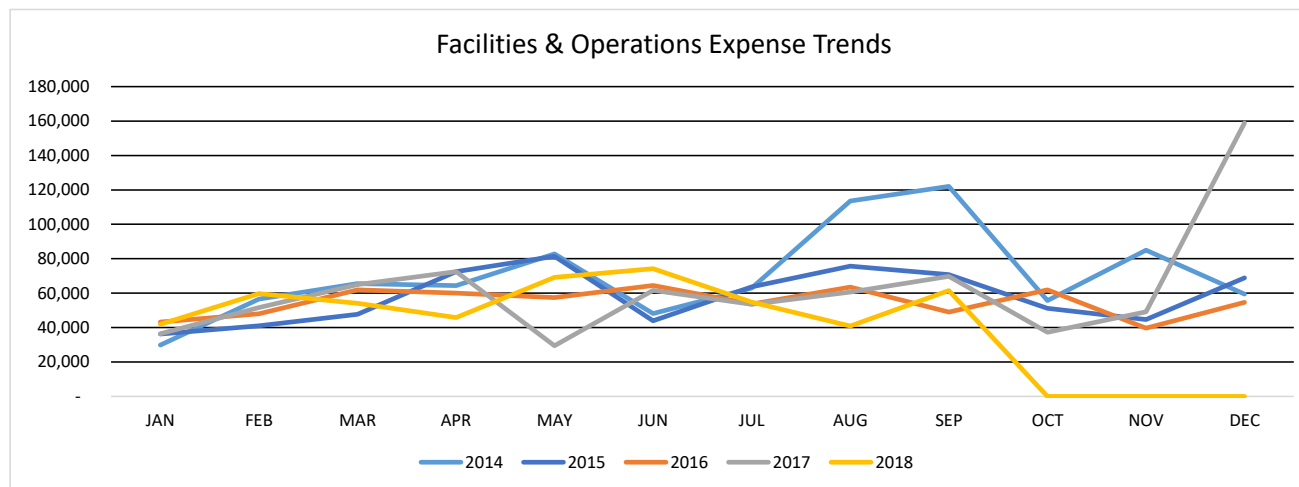


Notes:

1. The spike in September 2017 is related to the 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.)
4. Just over half of the \$10,000 spike in September 2018 is related to increases in Boat Haven leases. The remainder is related to a small increase in property use by the Wooden Boat Festival. In addition, the revenue line items used to track the WBF were changed in 2017 as a "property use" under Event Facility Revenue.

5 Year Trend of Facilities & Operations Expenses
Monthly as of September 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	54,754	40,837	61,529	-	-	-	502,161



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).