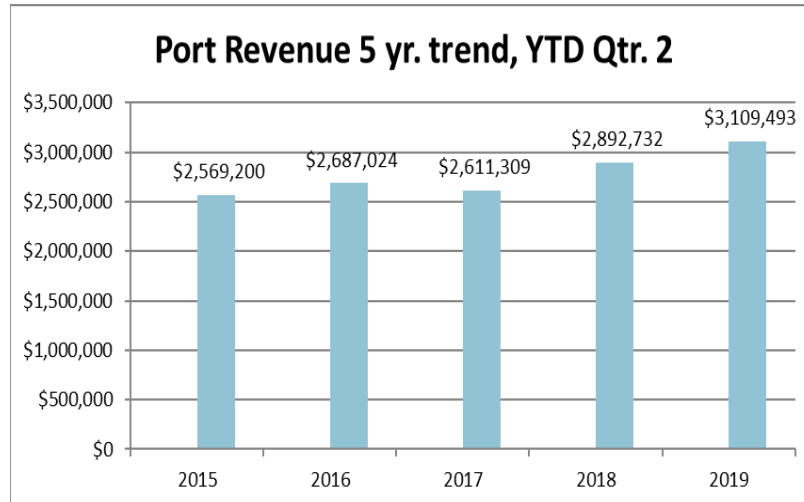
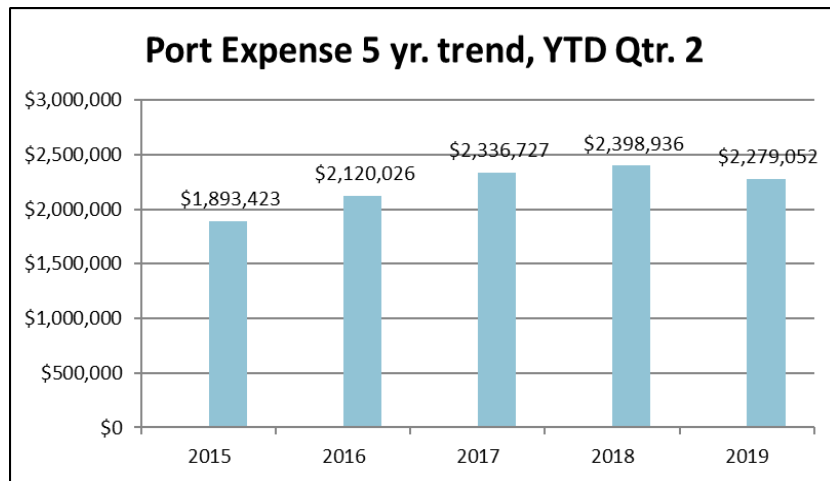


DATE: July 18, 2019
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Financial Results as of Quarter 2, 2019



Revenue Highlights:

- ✓ The Port continues to surpass 2018 Operating Revenues, as of quarter 2, by \$216,760.
- ✓ Total Operating Revenues are ahead of the 2019 YTD Budget by \$108,726.
- ✓ Yard revenue is the sector lead in total YTD revenues at \$963,342, with the Boat Haven Moorage right behind at \$927,755. Compared to 2018, Yard revenue is ahead by \$82,805 and more than budget by \$32,749.
- ✓ Both Ship Yard Hoist and Work Yard Hoist revenues are down YTD as compared to 2018 and the budget. With fewer hoists performed, Washdown revenue has also taken a hit, with a 2018 comparative decrease of 6,304 and a more nominal decrease to budget (\$1,129).
- ✓ While hoist revenues are down, Ship Yard revenue and Work Yard revenue (both lay-day revenue) are more than 2018 (\$23,524 and \$46,743, respectively) as well as budget (\$8,627 and \$33,929, respectively). This is likely due to the deep discount of lay-day rates for vessels in the yard for more than one month which lead to higher occupancy.
- ✓ Boat Haven Property revenues are ahead of the prior year by \$47,079, and ahead of budget by \$51,829.
- ✓ Point Hudson (marina, rv & property) is just ahead of 2018 by \$21,754 and below budget by \$7,101.
- ✓ Quilcene revenues are ahead of 2018 by \$12,135 and ahead of budget by \$10,672. This is likely due to having regular full-time staff during season and part-time off season.
- ✓ Ramp revenues ahead of 2018 and budget by \$6,836 and \$4,780, respectively. These increases are a reflection of increased Commercial Use Fees (\$3,700), Dinghy Float revenue (\$1,596) and a small increase in Ramp Fee sales (\$1,300).
- ✓ JCIA revenues are well ahead of 2018 and budget by \$8,363 and \$5,677, respectively.



Expense Highlights:

- ✓ Total YTD 2019 Operating Expenses are less than 2018 by \$119,214, and below budget by \$8,934. The year to year comparisons can be mis-leading since the Port is now reporting on a Cash Basis and reported on an accrual basis in years prior. The budget comparison is more accurate with the largest savings in Salaries/Wages and Consulting Services. Since 2019 is the first year of Cash Basis reporting, comparisons to the prior year may continue to be mis-leading in some areas due to accrual vs cash reporting.
- ✓ Salaries & Wages are \$20,964 less than 2018, and less than budget by \$65,069. With regard to the prior bullet, these costs are not mis-leading in comparison; the Port has simply reduced Personnel costs by staffing in Administration.
- ✓ Payroll Taxes reflect a \$3,048 increase over 2018 and \$6,881 below budget.
- ✓ Employee Benefits reflect a \$55,999 decrease over 2018, yet almost exactly on target for budget. The year to year variance is a timing variance due to Cash Basis reporting vs. accrual.
- ✓ 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), while other variance may be directly related to this being the transitional year of changes in financial reporting.
- ✓ The year to year variance in Facilities & Operations expenses is primarily as the result of changes in financial reporting because insurance is now recognized when paid, not evenly allocated monthly throughout the year. The budget reflects this, so the variance is not as high as the year to year.
- ✓ YTD utilities are significantly more in 2019 than 2018 (\$39,705), yet the budget is on target. The year to year variance is directly related to the change in financial reporting and should true up by year end.
- ✓ Marketing costs are significantly higher in 2019 than 2018 (increase of \$9,807). Most of this is related to increased marketing the Marine Trades.
- ✓ YTD Travel & Training is higher when comparing year to year (\$4,641). Most of this variance is due to Hazwoper training (Hazardous Waste Operations & Emergency Response) of staff (\$4,181).

YTD Net Operating Income is \$830,441 and when including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,718,224. The increase related to the Net Non-Operating is mitigated by Capital Expenses which are listed in the Cash Flow report.

Non-Operating Revenues:

- ✓ Capital Contributions / Grants revenue started the year more than 2018 due to the JCIA Runway Rehab Phase II Engineering and the Organize the File Room projects.
- ✓ Interest income is higher in 2019 than 2018 by \$5,496 and ahead of budget by \$9,300.
- ✓ Property and other taxes are more in 2019 than 2018, which is attributable to Cash Basis reporting for Property Tax. With the GAAP method, Property Tax revenues are based on the budget and allocated evenly throughout the year. With the Cash Basis method, Property Tax revenues are reported when received; April and October being the highest receipt months. Other taxes (State Forest, Timber Excise, etc.) are reported when received with both accounting methods since they are variable and not easily predictable.

Non-Operating Expenses:

- ✓ In accordance with the amortization of current debt, the Port's bond interest is less in 2019 when compared to 2018. In addition, with the Cash Basis reporting, the timing and recognition of debt interest will be when debt is paid, not evenly recognized monthly throughout the year.

Capital Projects:

During quarter 2, 2019, the Port expended \$83,731 in WIP (capital project "Work in Progress"), bringing the YTD total to \$229,848. Quarter 2 WIP expenses were for the JCIA Runway Rehabilitation (77%), PH 375 Hudson St. Air Quality Improvements (11%), PTBH Water Meters / BFP (10%), and BH Breakwater Repair 2019 (2%) projects.

Capital Purchases:

During quarter 2, 2019, there was \$36,113 spent for Equipment/Vehicles assets, which includes \$23,762 for two (2) new tires for the 300-ton Travelift, and the final payment of the Boat Haven Restroom fob locking system (\$12,351). This brings the YTD total for capital purchases to \$74,546.

Debt Service Obligations:

During quarter 2, there was one (1) debt service payment made. This included the following:

- ✓ June - \$98,919 for interest on the 2010 LTGO Bond

Remaining debt service for 2019 includes the following:

- ✓ July - \$501,375 for principal and interest on the 2015 LTGO Bond
- ✓ December - \$363,919 for principal and interest on the 2010 LTGO Bond

These remaining payments total \$865,294 (\$715,000 of this amount is principal).

Cash & Investment balances:

At the end of the 2nd quarter, the cash and investment balances totaled \$3,220,258. The end of quarter 2 reserve balances totaled \$1,142,234 and Unreserved Cash & Investments totaled \$2,078,024.

Port of Port Townsend
Summary of Operating & Non-Operating Revenues & Expenses
2019 Activity with Comparison to Prior Year and Budget

	YTD June 2018	YTD June 2019	Variance to prior year - 2018 v 2019	notes	YTD Budget 2019	Variance to Budget YTD
REVENUES						
Boat Haven Moorage	889,967	927,755	37,789		917,635	10,120
Yard Operations	880,536	963,342	82,805		930,593	32,749
Boat Haven Properties	314,605	361,684	47,079		309,855	51,829
Pt. Hudson Marina, RV & Prop	643,092	664,846	21,754	a	671,947	(7,101)
Quilcene	72,236	84,371	12,135		73,699	10,672
Ramps	25,224	32,060	6,836		27,280	4,780
JCIA	67,073	75,435	8,363		69,758	5,677
Total Operating Revenues	2,892,732	3,109,493	216,760		3,000,767	108,726
OPERATING EXPENSES						
Salaries & Wages	1,012,886	991,922	(20,964)		1,056,991	(65,069)
Payroll Taxes	105,724	108,773	3,048		115,654	(6,881)
Employee Benefits	373,855	317,856	(55,999)	b	317,815	41
Uniform Expense	904	4,068	3,164		4,261	(193)
Contract Services	118,952	133,028	14,076	c	139,932	(6,904)
Consulting Services	33,455	47,251	13,796	d	61,000	(13,749)
Legal & Auditing	100,677	84,275	(16,402)	e	49,998	34,277
Facilities & Operations	345,041	225,827	(119,214)	f	216,893	8,934
Utilities	269,368	309,073	39,705	g	307,236	1,837
Marketing	19,193	28,999	9,807	h	21,604	7,395
Economic Development	-	-	-		15,000	(15,000)
Travel & Training	15,236	19,877	4,641	i	16,113	3,764
Cost of Goods - Fuel	3,645	8,067	4,422	j	3,645	4,422
Community Relations	-	35	35		-	35
Total Operating Expenses	2,398,936	2,279,052	(119,884)		2,326,142	(47,090)
Income from Operations w/o Depr	493,796	830,441	336,645		674,625	155,816
Non-Operating Revenue						
Capital Contributions/Grants	76,119	197,894	121,774		153,028	44,866
Interest	26,403	31,900	5,496		22,600	9,300
Property & other taxes	530,897	643,153	112,257	j	600,717	42,436
Misc Non-Operating Revenue	37,202	114,056	76,854	k	13,620	100,436
Total Non-Operating Revenues	670,621	987,002	316,381		789,965	197,037
Non-Operating Expenses						
Bond Interest	157,421	98,919	(58,502)	l	98,919	(0)
Bond Mgmt, Issuance & Misc Exp	300	300	-		755	(455)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	157,721	99,219	(58,502)		99,674	(455)
Net Non-Operating Income (Expense)	512,901	887,784	374,883		690,291	197,493
Net Income (Loss)	1,006,697	1,718,224	711,528		1,364,916	353,309

Notes:

- (a) YTD Point Hudson revenues are more than the prior year by \$21,754, but below budget by \$7,101. The RV Park was significantly below budget due to the February cold weather (~8,000) which continues to effect the YTD budget results.
- (b) Part of moving to Cash Basis reporting, this amount was corrected from Qtr. 1, where Qtr. 4 LNI pmt had been included prior to declaring the use of an open period. Budget is on target.
- (c) Part of year to year variance is timing related to Cash Basis reporting, while part of the variance is Engineer Rpt on Linear Dock (\$4,382), Stormwater Sampling (\$2,750), Vault Cleaning (\$2,449) and Kidder Matthews appraisal for New Day bldg. (\$2,500). However, this line item is below budget YTD.
- (d) Consulting Services are more than the prior year, though below budget. YTD the most significant cost is for Parametrix who is tasked with the Port's continued efforts to achieve and maintain compliance under the Boatyard General Permit.
- (e) Substantial invoice for legal services related to Seattle Maritime Academy litigation regarding the John Cobb derelict vessel. Settlement was received in July to offset the \$46,458 in YTD legal fees. Factoring that unbudgeted litigation cost, shows a YTD cost comparison to 2018 as less by \$62,860, and YTD budget is less by \$12,181.
- (f) The primary reason for the variance to prior year is due to the Cash Basis reporting of payment for the Port's General Liability and Property insurance as it is no longer allocated monthly, but recognized when paid (~September annually).
- (g) The primary reason for the year to year comparative increase is due to invoice payment timing using Cash Basis reporting rather than accrual. However, this line item is closely aligned to budget YTD.
- (h) Significant increase in Marketing costs, specifically marketing port facilities and services, with emphasis on the Marine Trades (increase of \$6,181). Other costs are related to Promotional efforts, such as \$2,900 newspaper contribution to the Working Waterfront section of the Leader last winter.
- (i) Variance to prior year, 2019 is higher due to Hazwoper training for staff (\$4,181).
- (j) Variance to prior year due to Cash Basis change, Prop. Tax not allocated monthly by budget, but recorded as received so the year to year comparison is large. 2019 YTD actual is slightly ahead of budget.
- (k) \$100,000 recognized as a Gain on Sale for the purchase of a surplus building by New Day Fisheries. These monies will be directed to the Port Wide Capital Reserve in July.
- (l) When comparing to prior year, the Bond Int. exp. not allocated monthly, but recognized when paid. Budget on target.

**Port of Port Townsend
YTD Cashflow report**

		YTD June 2019
Net Income w/out Depreciation	notes	1,718,224
Net Change in Accruals from Balance Sheet*		174,116
Less: Capital Expenses:		
Point Hudson South Jetty project		-
WorkYard Resurfacing 2018		-
JCIA Runway Replacement project		(170,068)
PTBH Water Meters project		(13,024)
PTBH Restroom Remodel 2019		-
BH Breakwater Repair 2019		(1,778)
PH 375 Hudson St. - Air Quality Imprvmts 2019		(8,920)
Land		-
Buildings		-
Improvements		(36,057)
Equipment replacement	a	(74,546)
Total Capital Expenses		(304,393)
Less: Principal Payments on Debt:		
Point Hudson - 2015 LTGO Refunding Bond		-
PTBH Marina - 2010 LTGO Bond		-
Total Principal Payments		-
Increase (Decrease) in Cash Y-T-D		1,587,947
Beginning Cash at 1/1/2019		1,632,311
Ending Cash at 6/30/2019		3,220,258

**These are current assets and current liabilities.*

Notes:

- (a) Purchase of the following equipment & vehicles:
Vactor truck from City of Port Townsend (\$10,432)
Maintenance pick-up truck (\$24,161)
full payment of BH Restroom Fob Locking system (\$16,192)
(2) replacement tires for 300 ton Travelift (\$23,762)