

2019 Draft Operating Budget Assumptions – 1st DRAFT

The following details specific areas of change for the 2019 Port Operating budget when compared to the 2018 Operating budget:

Operating Revenue

1. The Port is obligated by its' Teamsters Local 589 Union contract to annually provide a CPI COLA increase, not to exceed 5% and not to be less than 2%, (CPI-All Urban Consumer Price Index for Seattle-Tacoma-Bremerton Bi-Monthly Data June to June) to the union wage table January 1 of each year (2018-2020). As such, the Port elected years ago to include this annual COLA increase to all Port employees (per the Port Policy Handbook). As of June 2018, this CPI was 3.3%.
2. Since the Port is obligated by contract to pay this CPI to its employees, it stands to reason this same CPI should be used when applying it to Port revenues.
3. Various other Operating Revenues were adjusted based on the activity YTD August 2018 and the planned business strategies for 2019.

Operating Expenses

4. Personnel costs were calculated based on being fully staffed in accordance with the Organizational Chart as presented at today's meeting. Salaries/Wages were calculated to include the 3.3% COLA, except for the Interim ED (since he just started mid-September) and the Director of Operations (since he received a raise in 2018).
5. There was a reduction in one (1) FTE in administration (the Communications Coordinator position).
6. Review of previous years' budgeted and actual amounts for Payroll Taxes led us to confidently reduce this amount for 2019.
7. The anticipated cost for Personnel Benefits was increased to 12.83% (from 12.7%) for employee PERS contributions.
8. Complete data has not been received for any potential cost increases for union employees' health insurance. There was no increase in 2018, so we estimated a potential increase of up to 10% which is included in the budget.
9. There is a slight decrease estimated for Contracting Services. Additional review will be done before the next draft to determine if more reductions can be made.
10. We anticipate a reduction in Consulting Services when compared to 2018 which resulted in a decrease of \$29,000.
11. Careful analysis of Utilities for the past year indicated that we needed to increase this line item. Increases in utilities are expected. However, we are hoping to capture savings here by recovery as well as some changes in the way utilities are managed.

12. No audit is scheduled for 2019, so that was removed from the budget. We anticipate a full audit in 2020, which will include a Federal Compliance, or Single Audit, as the result of the JCIA Runway Rehabilitation project.
13. Marketing was decreased by approximately \$25,000. This amount was added to the budget in 2018 to pay for an updated website.

Non-Operating Revenue

14. Capital Contributions/Grants projections are for the JCIA Runway Rehabilitation project, Phase II Final Design & Engineering (with bid support) and Phase III Construction and construction management.
15. The Port's budgeted Operating Tax Levy was increased to \$1,008,000 in accordance with the recommendation of the County Assessor at the September 12th Commission meeting.

Non-Operating Expenses

16. As expected, bond interest is reduced as there is one less debt obligation in 2019 (the 2013 Revenue Bond was paid off as of November 2018).
17. The District 1 Commission slot is open for election in the fall of 2019 and was estimated to cost \$9,500.

Port of Port Townsend
 Summary Operations & Non-Operating Activity Budget
 2019 Budget with Comparison to Prior Years

1st DRAFT 9/26/18

	2017 Actual	2018 Budget	2019 Budget	2018-2019 variance
REVENUES				
Marinas and RV Parks	2,549,880	2,604,539	2,891,318	286,779
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	6,221,526	346,451
OPERATING EXPENSES				
Salaries & Wages	2,022,800	2,128,656	2,066,617	(62,039)
Payroll Taxes	234,163	298,102	228,286	(69,816)
Employee Benefits	747,590	776,916	768,276	(8,640)
Uniform Expense	9,185	9,311	9,311	-
Contract Services	326,673	290,000	283,432	(6,568)
Consulting Services	140,583	165,000	136,000	(29,000)
Legal fees	111,000	130,000	100,000	(30,000)
Audit	7,000	7,500	-	(7,500)
Facilities & Operations	785,609	731,050	690,076	(40,974)
Utilities	554,180	525,000	555,383	30,383
Marketing & Advertising	54,450	81,450	53,805	(27,645)
Economic Development	40,000	30,000	30,000	-
Travel & Training	30,000	35,000	35,413	413
Cost of Goods - Fuel	12,000	18,000	10,965	(7,035)
Community Relations	4,000	4,000	4,000	-
Total Operating Expenses	5,079,233	5,229,985	4,971,564	(258,421)
Income from Operations w/o Depr	370,816	645,090	1,249,962	604,872
Depreciation Expense	1,585,632	1,605,300	1,665,300	60,000
Income (Loss) from Operations with Depr	(1,214,816)	(960,210)	(415,338)	544,872
Non-Operating Revenue				
Capital Contributions/Grants	242,274	1,187,727	4,368,028	3,180,301
Interest	41,000	41,000	42,200	1,200
Property & other taxes	1,019,000	1,041,000	1,064,490	23,490
Misc Non-Operating Revenue	59,700	35,000	35,000	-
Total Non-Operating Revenues	1,361,974	2,304,727	5,509,718	3,204,991
Non-Operating Expenses				
Bond Interest	343,877	332,127	293,838	(38,289)
Bond Mgmt, Issuance, Investment	75,390	1,500	1,500	-
Election Expense	17,340	-	9,500	9,500
Total Non-Operating Expenses	436,607	333,627	304,838	(28,789)
Net Non-Operating Income(Expense)	925,367	1,971,100	5,204,880	3,233,780
Net Income (Loss)	(289,449)	1,010,890	4,789,542	3,778,652