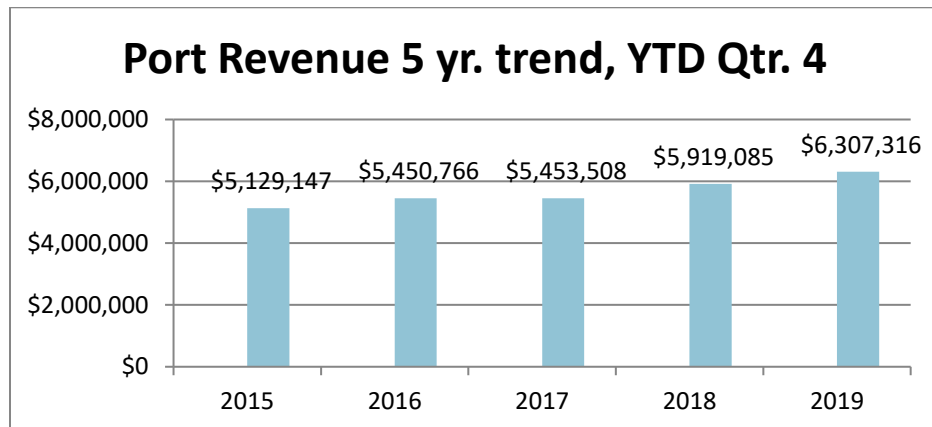


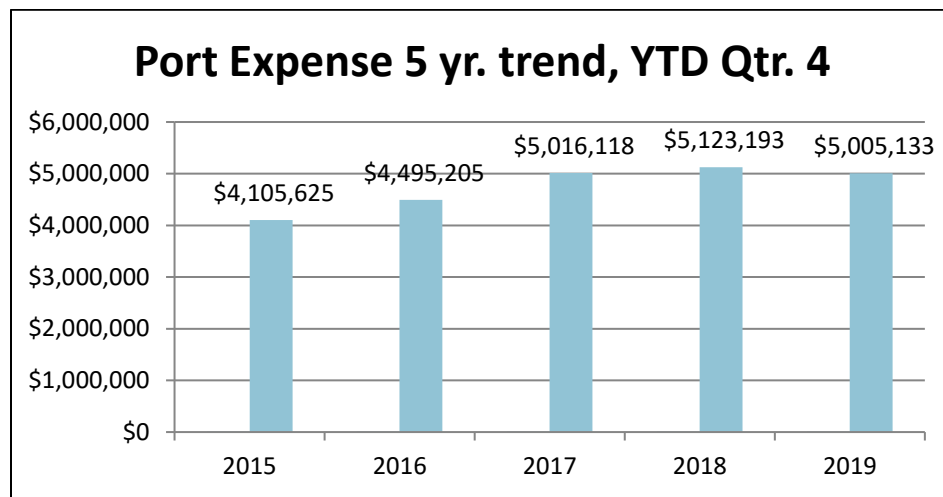
**DATE:** January 18, 2020  
**TO:** Commissioners and Directors  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Port Financial Results as of Quarter 4, 2019 – P R E L I M I N A R Y

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**Revenue Highlights:**

- ✓ The Port exceeded 2018 Operating Revenues by \$388,231.
- ✓ Total Operating Revenues are more than 2019 Budget by \$111,992.
- ✓ Moorage revenue is the sector lead in total revenues at \$1,900,981, but only slightly more than the Yard which totaled \$1,859,895 (~\$41,000 variance).
- ✓ All sectors exceeded both the 2018 revenues as well as the 2019 budget; none have under-performed.
- ✓ 70/75 Ton Hoist revenues exceeded both 2018 and budget (\$31,259 and \$7,366, respectively), and Work Yard revenue also exceeded both 2018 and budget (\$152,128 and \$64,208, respectively). This is likely due to the deep discount of lay-day rates for vessels in the Work Yard for more than one month which appears to have led to increased haul-outs and higher occupancy.
- ✓ Conversely, the 300 Ton Hoist revenues under-performed when compared to both 2018 and the budget (\$39,838 and \$18,562, respectively). Ship Yard revenues were higher than 2018 by \$28,474, but less than anticipated in the budget (by \$17,658).
- ✓ Boat Haven Property revenue exceeded both 2018 and the budget (\$27,581 and \$51,818, respectively). Some of these increases are due to CPI and some are likely related to the new staffing position of Leasing & Contracts Administrator who is facilitating the execution of new leases and renewals.
- ✓ Point Hudson (marina, rv & property) exceeded 2018 by \$50,089 and slightly ahead of budget by \$1,913.
- ✓ Quilcene revenues exceeded both 2018 and budget (\$9,919 and \$6,902, respectively). This is likely due to having regular full-time staff on-site during season and part-time off season.
- ✓ Ramp revenues exceeded both 2018 and budget (\$7,455 and \$3,966, respectively). These increases are primarily related to Ramp Fee sales (\$5,614 more than in 2018, and \$2,726 more than budget). *Of note is that only 12 passes (that total \$960), of the pass sales in December were pre-purchased for 2020 at the Qtr. 1 discounted rate.*
- ✓ JCIA revenues exceeded both 2018 and budget (\$15,914 and \$11,677, respectively).



**Expense Highlights:**

- ✓ Total 2019 Operating Expenses are less than both 2018 and budget (\$118,606 and \$33,136, respectively).
- ✓ Salaries & Wages are \$111,944 less than 2018, and less than budget by \$67,336. These variances are related to changes (some that include reductions, such as in Administration) and timing in staffing.
- ✓ The variances in Employee Benefits (when compared to 2018 and budget) are related to the changes in staffing noted in the prior bullet.
- ✓ Many of the budget variances in Operating Expenses are largely related to timing, which aren't always predictable (such as Contract Services, Consulting Services, Facility & Operations, etc.). The most significant are noted in the notes to the financial report.
- ✓ The year to year and budget variances in Facilities & Operations expenses is primarily as the result of the write-off of Bad Debt.
- ✓ Utilities costs exceeded both 2018 and budget (\$23,833 and \$20,420, respectively). While some of this is related to increased rates not known when the 2019 budget was adopted in late 2018, some is related to increased use. More analysis will be brought to Commission at the January 22<sup>nd</sup> meeting.
- ✓ Marketing costs were less than in 2018 by \$17,102, yet more than budget by \$9,722.

YTD Net Operating Income is \$1,302,183 and when including Non-Operating Revenues and Expenses, there is a Net Profit of \$2,817,001. The increase related to the Net Non-Operating is reduced by both Capital Expenses and Debt Service principle which are listed in the Cash Flow report.

**Non-Operating Revenues:**

- ✓ Capital Contributions / Grants revenue exceeded 2018 due to the JCIA Runway Rehab Phase II Engineering and the Organize the File Room projects. 2019 actual is less than budget because the JCIA Runway Rehab project construction was moved to 2020.
- ✓ Interest income is higher in 2019 than 2018 by \$8,113 and ahead of budget by \$21,959.
- ✓ Property and other taxes are slightly more in 2019 than 2018 (\$5,569), and significantly more than budget (\$30,376). The latter is related to variances in State Forest Revenues and State Timber Excise tax which are both subject to vary year to year based on harvests.

**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, the Port extinguished the 2013 Revenue Bond debt in late 2018.
- ✓ Election costs in 2019 reflect the Port's cost of the District 1 Commissioner race.

**Capital Projects:**

During 2019, the Port expended \$665,064 in WIP (capital project "Work in Progress"). Other capital improvements to the Port that did not go through a WIP accounting totaled \$103,553. These improvements

were performed by outside vendors contracted out for single projects that didn't require staff time or additional materials.

**Capital Purchases:**

During 2019, a total of \$129,125 was expended on various vehicle and equipment purchases for the Port (as noted in the Cashflow report).

Total Capital expenses for 2019, both in projects and purchases, came to \$897,742. A complete listing of all capital projects and purchases in 2019 will be provided by the 1<sup>st</sup> Commission meeting in February.

**Debt Service Obligations:**

During 2019, the following debt service payments were made:

- ✓ January - \$51,375 for interest on the 2015 LTGO Bond
- ✓ June - \$98,919 for interest on the 2010 LTGO Bond
- ✓ July - \$501,375 for principal and interest on the 2015 LTGO Bond
- ✓ December - \$363,919 for principal and interest on the 2010 LTGO Bond

Total Principle paid in 2019 was \$715,000.

Total Interest paid in 2019 was \$300,587.

**Cash & Investment balances:**

At the end of the year, the cash and investment balances totaled \$3,226,735. Of that total, year-end Reserve Cash & Investment balances were \$1,233,195 and Unreserved Cash & Investments totaled \$1,993,540.

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

**PRELIMINARY**

	YTD Dec 2018	YTD Dec 2019	Variance to prior year - 2018 v 2019	notes	YTD Budget 2019	Variance to Budget YTD
<b>REVENUES</b>						
Boat Haven Moorage	1,815,141	1,900,981	85,840		1,894,872	6,109
Yard Operations	1,668,462	1,859,895	191,433		1,830,288	29,607
Boat Haven Properties	668,897	696,478	27,581		644,660	51,818
Pt. Hudson Marina, RV & Prop	1,432,198	1,482,287	50,089		1,480,374	1,913
Quilcene	156,455	166,374	9,919		159,472	6,902
Ramps	43,211	50,666	7,455		46,700	3,966
JCIA	134,721	150,635	15,914		138,958	11,677
<b>Total Operating Revenues</b>	<b>5,919,085</b>	<b>6,307,316</b>	<b>388,231</b>		<b>6,195,324</b>	<b>111,992</b>
<b>OPERATING EXPENSES</b>						
Salaries & Wages	2,163,134	2,051,190	(111,944)	a	2,118,526	(67,336)
Payroll Taxes	218,246	223,337	5,091		231,824	(8,487)
Employee Benefits	745,646	777,463	31,818	b	771,238	6,225
Uniform Expense	6,853	8,500	1,647		8,426	74
Contract Services	313,540	281,743	(31,798)		281,185	558
Consulting Services	59,756	49,769	(9,987)		136,000	(86,231)
Legal & Auditing	204,731	125,673	(79,058)	c	100,000	25,673
Insurance	237,198	276,190	38,992	d	236,867	39,323
Facilities & Operations	469,533	522,295	52,762	e	472,037	50,258
Utilities	549,970	573,803	23,833	f	553,383	20,420
Marketing	80,630	63,527	(17,102)	g	53,805	9,722
Economic Development	30,000	-	(30,000)	h	30,000	(30,000)
Travel & Training	28,844	34,648	5,805		34,013	635
Cost of Goods - Fuel	15,112	16,255	1,143	i	10,965	5,290
Community Relations	-	740	740		-	740
<b>Total Operating Expenses</b>	<b>5,123,193</b>	<b>5,005,133</b>	<b>(118,060)</b>		<b>5,038,269</b>	<b>(33,136)</b>
<b>Income from Operations w/o Depr</b>	<b>795,892</b>	<b>1,302,183</b>	<b>506,291</b>		<b>1,157,055</b>	<b>145,128</b>
<b>Non-Operating Revenue</b>						
Capital Contributions/Grants	113,113	360,959	247,845	j	4,368,028	(4,007,069)
Interest	56,046	64,159	8,113	k	42,200	21,959
Property & other taxes	1,089,297	1,094,866	5,569		1,064,490	30,376
Misc Non-Operating Revenue	61,639	255,568	193,928	l	35,000	220,568
<b>Total Non-Operating Revenues</b>	<b>1,320,096</b>	<b>1,775,551</b>	<b>455,456</b>		<b>5,509,718</b>	<b>(3,734,167)</b>
<b>Non-Operating Expenses</b>						
Bond Interest	290,990	249,213	(41,778)		293,838	(44,626)
Bond Mgmt, Issuance & Misc Exp	1,558	1,500	(58)		1,500	-
Election Expense	-	10,021	10,021		9,500	521
<b>Total Non-Operating Expenses</b>	<b>292,548</b>	<b>260,733</b>	<b>(31,815)</b>		<b>304,838</b>	<b>(44,105)</b>
<b>Net Non-Operating Income (Expense)</b>	<b>1,027,548</b>	<b>1,514,818</b>	<b>487,270</b>		<b>5,204,880</b>	<b>(3,690,062)</b>
<b>Net Income (Loss)</b>	<b>1,823,439</b>	<b>2,817,001</b>	<b>993,561</b>		<b>6,361,935</b>	<b>(3,544,934)</b>

**Notes:**

- (a) *There have been several changes in staffing since 2018 that contribute to the year to year variance, both in Salaries/Wages and Benefits. Such changes have been noted and discussed throughout the year at Commission meetings. Also, part of the Salary/Wages variance includes ~\$50,000 in sick and vacation payouts at termination in 2018.*
- (b) *The 2019 budget to actual variance for Benefits is partly due to changes and timing of those changes in staffing. The result is actual is slightly more than budgeted.*
- (c) *Whereas this is below 2018, it is higher than budget due to invoices for legal services related to Seattle Maritime Academy litigation regarding the John Cobb derelict vessel. A settlement payment was received in July that offset the YTD SMA legal fees (~\$47,000).*
- (d) *There were unexpected increases in Insurance costs from 2018 to 2019 in the amount of \$38,992. This affected all insured pool-wide with the largest (66%) of the increase in replacement property estimates. An insurance representative is being scheduled to attend a Commission meeting soon to provide more information.*
- (e) *The primary reason for the variance to prior year is due to the ~\$52,000 increase in Bad Debt write-offs.*
- (f) *Utilities are up from 2018 by approximately \$24,000 and over budget by approximately \$20,000. This will be reviewed for further detail and presented at the Commission meeting.*
- (g) *Marketing costs less than in 2018 by approximately \$17,000, and ahead of budget by approximately \$10,000.*
- (h) *No contract was executed with the Economic Development Council (EDC) for 2019.*
- (i) *2018 and 2019 are on par with each other, while being over budget by approximately \$5,000. The increase over budget is directly related to increased Fuel sales in 2019 due to having a Facilities Attendant in Quilcene.*
- (j) *YTD Capital Contributions/Grants are less than budget because it was anticipated the Port would complete construction of the JCIA Runway Rehab project in 2019.*
- (k) *Interest income is higher than budgeted because more cash has been retained since the JCIA Runway Rehab construction hasn't commenced.*
- (l) *Increases to Miscellaneous Non-Operating Revenue for the \$100,000 paid for the purchase of a surplus building by New Day Fisheries; these monies have been placed in the Port Wide Capital Reserve. In addition, there was an increase of approximately \$132,000 for the portion of the SMA legal settlement (totaling \$212,000) that wasn't used to pay down the outstanding accounts receivable for the Cobb vessel.*

**Port of Port Townsend  
YTD Cashflow report**

		<u>YTD December 2019</u>
	notes	
<b>Net Income</b>		<b>2,817,001</b>
<b>Net Change in Accruals from Balance Sheet*</b>		<b>390,165</b>
<b>Less: Capital Expenses:</b>		
Point Hudson South Jetty project		-
WorkYard Resurfacing 2018		-
JCIA Runway Replacement project		(391,700)
PTBH Water Meters project		-
PTBH Restroom Remodel 2019		(36,056)
BH Breakwater Repair 2019		(9,912)
PH Moorage Office Exterior Paint 2019		(9,328)
WorkYard Resurfacing 2019		(44,653)
PH South Jetty 2019-2020		(45,245)
PH 375 Hudson St. - Air Quality Imprvmnts 2019		(77,542)
BH Net Float Reconstruction		-
BH Prop - 810 Haines Street		-
BH Prop - 2900 WA Bldg Repair 2019		-
Land		-
Buildings		-
Improvements		(154,181)
Equipment replacement	a	(129,125)
<b>Total Capital Expenses</b>		<b>(897,742)</b>
<b>Less: Principal Payments on Debt:</b>		
PTBH Marina - 2010 LTGO Bond		(265,000)
Point Hudson - 2015 LTGO Refunding Bond		(450,000)
<b>Total Principal Payments</b>		<b>(715,000)</b>
<b>Increase (Decrease) in Cash Y-T-D</b>		<b>1,594,424</b>
<b>Beginning Cash at 1/1/2019</b>		<b>1,632,311</b>
<b>Ending Cash at 12/31/2019</b>		<b>3,226,735</b>

\*These are current assets and current liabilities.

**Notes:**

- (a) Purchase of the following equipment & vehicles:
- Vactor truck from City of Port Townsend (\$10,431)
  - Maintenance trucks (\$24,161 & \$2,500)
  - BH Restroom Fob Locking system (\$16,193)
  - (2) replacement tires for 300 ton Travelift (\$23,762)
  - BH Ramp Pay Station Kiosk & install (\$14,050)
  - Genie lift (\$21,000)
  - Blocking (\$10,851)
  - SkyTalk Phone System (\$6,177)