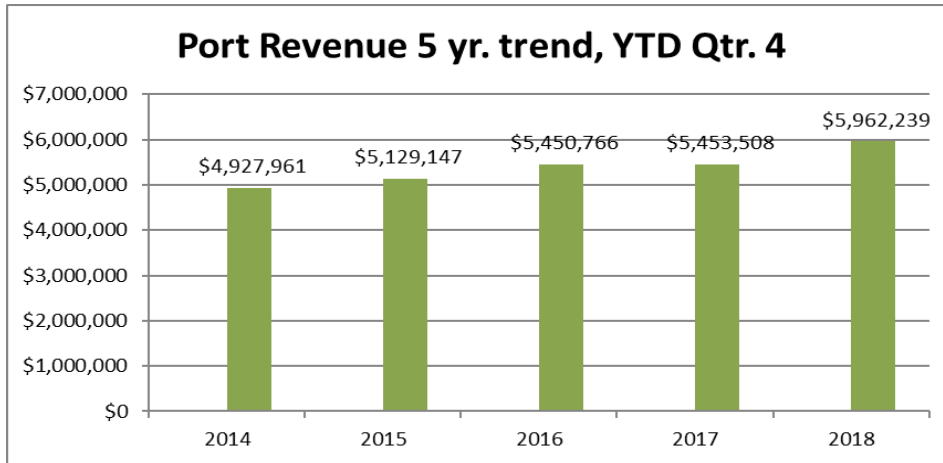


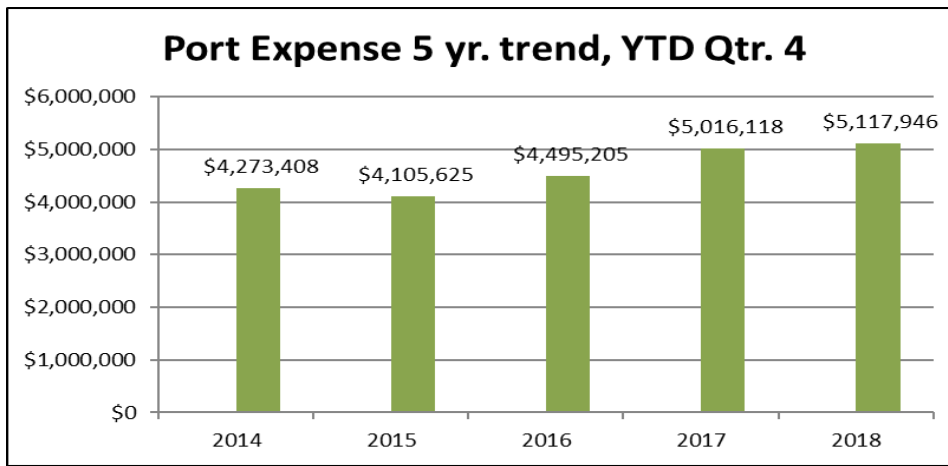
**DATE:** February 13, 2019  
**TO:** Commissioners and Directors  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Port Operating Results as of Quarter 4, 2018 - PRELIMINARY

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**Revenue Highlights:**

- ✓ The Port ended 2018 with Operating Revenues surpassing 2017 revenues by \$508,731, this is a 9.3% increase.
- ✓ Total Operating Revenues are ahead of the 2018 Budget by \$87,164.
- ✓ 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 \$263,685 and more than budget by \$209,034.
- ✓ Overall, Yard revenues ended the year at \$1,627,169, and continue to be ahead of the prior year, by 14.5%, an increase of \$205,461. However, this was less than budgeted by \$141,215.
- ✓ Ship Yard Hoist revenues ended 2018 ahead of 2017 by \$69,154, and ahead of budget by \$48,389.
- ✓ Ship Yard revenues (lay days) ended 2018 ahead of 2017 by \$92,122, but below budget by \$66,361.
- ✓ Work Yard Hoist revenues ended 2018 just ahead of 2017 by \$8,002 and were ahead of budget \$3,405.
- ✓ Work Yard revenues (lay days) ended 2018 just below 2017 by \$17,766 and were below budget by \$77,643. It appears the heavily discounted rates contributed to this reduction in revenue and not making budget.
- ✓ Property Leases & Use Revenues are ahead of the prior year by \$15,380, and just ahead of budget by \$3,207. Boat Haven properties continue to be strong, but the vacancies at Point Hudson are pulling down the trend.
- ✓ Fuel Sales & Leases fell below 2017 revenues by \$4,456 and missed budget by \$6,500. Both PTBH and JCIA are on par with YTD 2017 and budget. It is Quilcene that fell short of the previous year and budget. Some of this is due to staffing at this location and some is due to the shut-down of about a month and a half when there was a necessary fuel dispenser part replacement, and there was difficulty in obtaining the parts.
- ✓ Ramp revenues are less than YTD 2017 by \$5,292 and less than budget by \$5,870. Most of this variance (\$3,000) is directly related to a reduction in tribal openings and Dept. of Fish & Wildlife (DFW) regulated seasons in 2018 when compared to 2017, in both PTBH and Quilcene. These cannot be predicted by the Port and are reflected in Commercial Use Fees reductions. Actual Ramp Fee revenues, both annual and daily, are on par with 2017, though slightly below budget by \$1,788. These are also affected by the tribal and DFW openings.
- ✓ Utilities Revenue ended the year ahead of last year by \$33,955 and ahead of budget by \$28,510.



**Expense Highlights:**

- ✓ Total YTD 2018 Operating Expenses are more than 2017 by \$40,905 or 0.81%, yet below budget by \$142,699.
- ✓ Personnel costs are \$60,065 more YTD 2018 when compared to 2017, and over budget by \$34,478. We expected to be over budget and 2017 due the changes in staffing and a 29-year port employee retirement, both of which resulted in large payouts. Some of these payouts were off-set by staff vacancies we had during part of the year.
- ✓ 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 less than 2017 by \$24,252 and compared to budget are less by \$39,797. Though there are other offsets to the YTD budget comparisons of Facilities & Operations expenses, Repair and Maintenance is the largest at \$85,828 below budget. This is why in the 2019 budget we've moved \$100,000 from Repair/Maintenance Operations to Capital.
- ✓ Utilities were just more in 2018 than 2017 by \$1,153, though more than budget by \$26,027. Budget had been projected at less because of anticipated cost recoveries (e.g. garbage), however this program has not been implemented yet.
- ✓ Marketing costs increased from YTD 2017 to 2018 by \$22,426 which was expected due to the increased emphasis on ads as well as other marketing tools. It is below budget, however since the contract for the website design was cancelled. A new approach that is less costly, is now in the works.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$4,139 and below budget by \$5,409. These results are in alignment with the decrease in fuel sales noted on the revenue side (Quilcene).

YTD Net Operating Income is \$844,293 which is a \$467,826 increase from YTD 2017. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,875,314, which is an increase of \$53,313 over YTD 2017 (this is before debt service and capital expenses). In 2017, there was a significant non-cash, non-operating revenue recognized when the Port received the replacement 75 Ton Travelift from the insurance company as the result of the January 2017 Travelift incident. This non-cash revenue, when removed, makes the increase in Net Profit from 2017 to 2018 increase to \$451,430.

**Non-Operating Revenues:**

- ✓ Capital Contributions / Grants revenue ended the year less than 2017 due to the Point Hudson South Jetty Replacement project being halted in April (grant billings were not submitted since February activity).
- ✓ Interest income was greater in 2018 than 2017 by \$27,256 and ahead of budget by \$31,364. Part of this was an almost doubling of Investment Interest (greater in 2018 by \$10,815) and part was from the timing of the Bond Interest Subsidy received for the 2010 LTGO Bonds.
- ✓ Property and other taxes were more in 2018 than 2017, which is attributable to increases in property tax, as well as State Forest Revenues and State Timber Excise Tax, which tend to fluctuate.

**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:**

During quarter 4, 2018, the Port expended \$156,612 in WIP (capital project "Work in Progress"). These WIP expenses were for the 2018 Workyard Resurfacing (51%), JCIA Runway Rehabilitation (47%), PTBH Water Meters (1%) and PTBH Restroom Remodel (1%) projects.

**Capital Purchases:**

During quarter 4, 2018, there was \$79,530 capitalized in Equipment/Vehicles assets. This includes \$23,758 for a new Maintenance truck, \$23,435 for 300-Ton Travelift straps, \$23,085 for a PTBH Fuel System Upgrade and \$9,252 in Yard blocking.

**Debt Service Obligations:**

During quarter 4, the final two (2) debt service payments were made for 2018. This included the following:

- ✓ November 1<sup>st</sup> - \$209,372 for principal and interest on the 2013 Revenue Bond (*final payment*)
- ✓ December 1<sup>st</sup> - \$338,619 for principal and interest on the 2010 LTGO Bond

These totaled \$547,991 (\$441,278 of this amount is principal).

**Cash & Investment balances:**

At the end of the 4<sup>th</sup> quarter, the cash and investment balances totaled \$1,885,761, just \$60,179 more than end of year 2017. Reserve balances totaled \$992,234 and Unreserved Cash & Investments totaled \$893,527.

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

|   | YTD Dec<br>2017  | YTD Dec<br>2018  | Variance to<br>prior year -<br>2017 v 2018 | notes | YTD Budget<br>2018 | Variance to<br>Budget YTD |
|---|------------------|------------------|--|-------|--------------------|---------------------------|
| <b>REVENUES</b>                           |                  |                  |  |       |                    |                           |
| Marinas and RV Parks                      | 2,549,888        | 2,813,573        | 263,685                                    |       | 2,604,539          | 209,034                   |
| Yard Operations                           | 1,421,708        | 1,627,169        | 205,461                                    |       | 1,768,384          | (141,215)                 |
| Property Leases & Use                     | 1,154,349        | 1,169,729        | 15,380                                     |       | 1,166,522          | 3,207                     |
| Fuel Sales & Leases                       | 45,056           | 40,600           | (4,456)                                    |       | 47,100             | (6,500)                   |
| Ramp Use                                  | 60,322           | 55,030           | (5,292)                                    |       | 60,900             | (5,870)                   |
| Utilities                                 | 222,185          | 256,140          | 33,955                                     |       | 227,630            | 28,510                    |
| <b>Total Operating Revenues</b>           | <b>5,453,508</b> | <b>5,962,239</b> | <b>508,732</b>                             |       | <b>5,875,075</b>   | <b>87,164</b>             |
| <b>OPERATING EXPENSES</b>                 |                  |                  |  |       |                    |                           |
| Salaries & Wages                          | 2,103,069        | 2,163,134        | 60,065                                     |       | 2,128,656          | 34,478                    |
| Payroll Taxes                             | 217,816          | 217,140          | (677)                                      |       | 298,102            | (80,962)                  |
| Employee Benefits                         | 731,355          | 745,646          | 14,291                                     |       | 776,916            | (31,270)                  |
| Uniform Expense                           | 6,736            | 6,960            | 224  |       | 9,311              | (2,351)                   |
| Contract Services                         | 306,052          | 320,872          | 14,820                                     |       | 290,000            | 30,872                    |
| Consulting Services                       | 177,941          | 59,756           | (118,185)                                  |       | 165,000            | (105,244)                 |
| Legal & Auditing                          | 123,061          | 204,731          | 81,670                                     |       | 137,500            | 67,231                    |
| Facilities & Operations                   | 746,165          | 721,913          | (24,252)                                   |       | 761,710            | (39,797)                  |
| Utilities                                 | 552,180          | 551,027          | (1,153)                                    |       | 525,000            | 26,027                    |
| Marketing                                 | 32,737           | 55,163           | 22,426                                     |       | 81,450             | (26,287)                  |
| Economic Development                      | 30,000           | 30,000           | -  |       | 30,000             | -                         |
| Travel & Training                         | 30,590           | 29,014           | (1,576)                                    |       | 35,000             | (5,986)                   |
| Cost of Goods - Fuel                      | 16,730           | 12,591           | (4,139)                                    |       | 18,000             | (5,409)                   |
| Community Relations                       | 2,610            | -                | (2,610)                                    |       | 4,000              | (4,000)                   |
| <b>Total Operating Expenses</b>           | <b>5,077,041</b> | <b>5,117,946</b> | <b>40,905</b>                              |       | <b>5,260,645</b>   | <b>(142,699)</b>          |
| <b>Income from Operations w/o Depr</b>    | <b>376,467</b>   | <b>844,293</b>   | <b>467,826</b>                             |       | <b>614,430</b>     | <b>229,863</b>            |
| <b>Non-Operating Revenue</b>              |                  |                  |  |       |                    |                           |
| Capital Contributions/Grants              | 352,929          | 113,713          | (239,215)                                  | (a)   | 1,187,727          | (1,074,014)               |
| Interest                                  | 45,108           | 72,364           | 27,256                                     |       | 41,000             | 31,364                    |
| Property & other taxes                    | 1,037,038        | 1,089,762        | 52,724                                     |       | 1,041,000          | 48,762                    |
| Misc Non-Operating Revenue                | 424,804          | 61,639           | (363,165)                                  | (b)   | 35,000             | 26,639                    |
| <b>Total Non-Operating Revenues</b>       | <b>1,859,879</b> | <b>1,337,479</b> | <b>(522,400)</b>                           |       | <b>2,304,727</b>   | <b>(967,248)</b>          |
| <b>Non-Operating Expenses</b>             |                  |                  |  |       |                    |                           |
| Bond Interest                             | 341,943          | 304,900          | (37,043)                                   |       | 332,127            | (27,227)                  |
| Bond Mgmt, Issuance & Misc Exp            | 72,401           | 1,558            | (70,844)                                   |       | 1,500              | 58                        |
| Election Expense                          | -                | -                | -  |       | -                  | -                         |
| <b>Total Non-Operating Expenses</b>       | <b>414,344</b>   | <b>306,458</b>   | <b>(107,886)</b>                           |       | <b>333,627</b>     | <b>(27,169)</b>           |
| <b>Net Non-Operating Income (Expense)</b> | <b>1,445,535</b> | <b>1,031,021</b> | <b>(414,514)</b>                           |       | <b>1,971,100</b>   | <b>(940,079)</b>          |
| <b>Net Income (Loss)</b>                  | <b>1,822,001</b> | <b>1,875,314</b> | <b>53,313</b>                              |       | <b>2,585,530</b>   | <b>(710,216)</b>          |

**Notes:**

(a) Point Hudson Jetty project halted April 2018, last grant billing February.

(b) Non-Cash Insurance Recovery in 2017 for replacement 75 Ton Travelift.

## Port of Port Townsend Cashflow Report

|   | note       | <u>YTD December</u>            |
|---|------------|--------------------------------|
| <b>Net Income w/out Depreciation</b>                |            | <b>1,875,314</b>               |
| <b>Net Change in Accruals from Balance Sheet</b>    | <b>(a)</b> | <b><u>(91,765)</u></b>         |
| <b>Less: Capital Expenses:</b>                      |            |                                |
| Storm-water Rx project                              |            | (46,126)                       |
| Point Hudson South Jetty project                    |            | (177,919)                      |
| JCIA Runway Replacement project                     |            | (180,911)                      |
| Yard/Moorage Office Remodel project                 |            | -                              |
| PTBH Restroom - HVAC                                | <b>(b)</b> | 19,678                         |
| PTBH Water Meters project                           |            | (3,610)                        |
| 2018 Workyard Resurfacing                           |            | (82,811)                       |
| 2019 PTBH Restroom Remodel                          |            | (1,409)                        |
| Land  |            | -                              |
| Buildings   |            | -                              |
| Improvements  |            | (25,485)                       |
| Equipment replacement                               |            | (150,270)                      |
| <b>Total Capital Expenses</b>                       |            | <b><u>(648,863)</u></b>        |
| <b>Less: Principal Payments on Debt:</b>            |            |                                |
| Point Hudson Marina Refunding Bond (2015 LTGO Bond) |            | (430,000)                      |
| PTBH Marina Bond (2010 LTGO Bond)                   |            | (235,000)                      |
| Administrative Building Bond (2013 Revenue Bond)    |            | (409,507)                      |
| <b>Total Principal Payments</b>                     |            | <b><u>(1,074,507)</u></b>      |
| <b>Increase (Decrease) in Cash Y-T-D</b>            |            | <b>60,179</b>                  |
| <b>Beginning Cash at 1/1/2018</b>                   |            | <b>1,825,582</b>               |
| <b>Ending Cash at 12/31/18</b>                      |            | <b><u><u>1,885,761</u></u></b> |

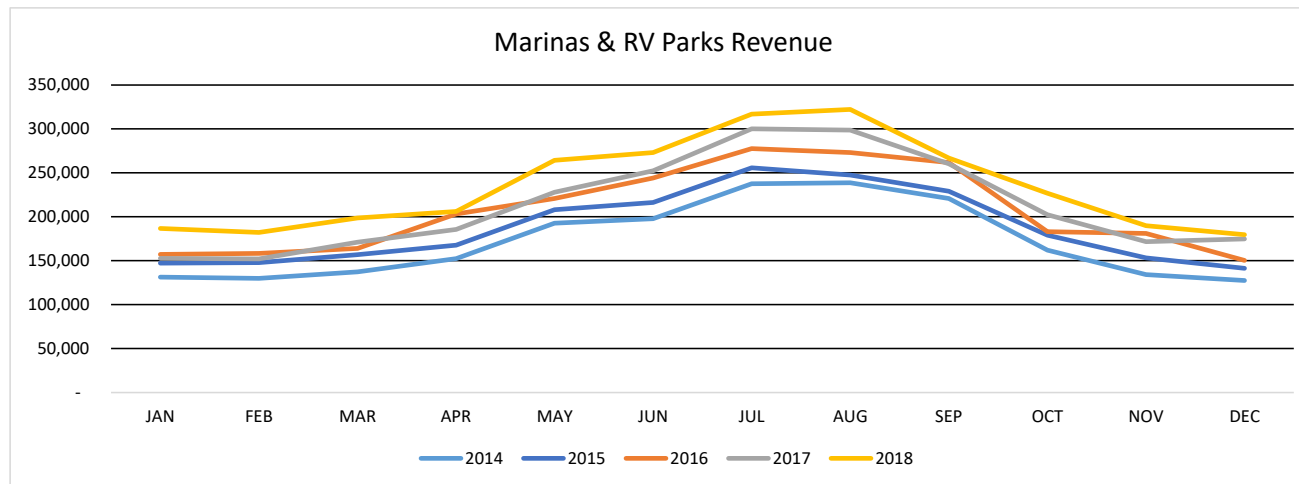
**Notes:**

(a) These are current assets and current liabilities.

(b) Project had no 2018 expenses and was removed from Work in Progress (WIP) account in December 2018 as it is not moving forward.

**5 Year Trend of Marinas & RV Parks Revenue**  
**Monthly as of December 31, 2018**

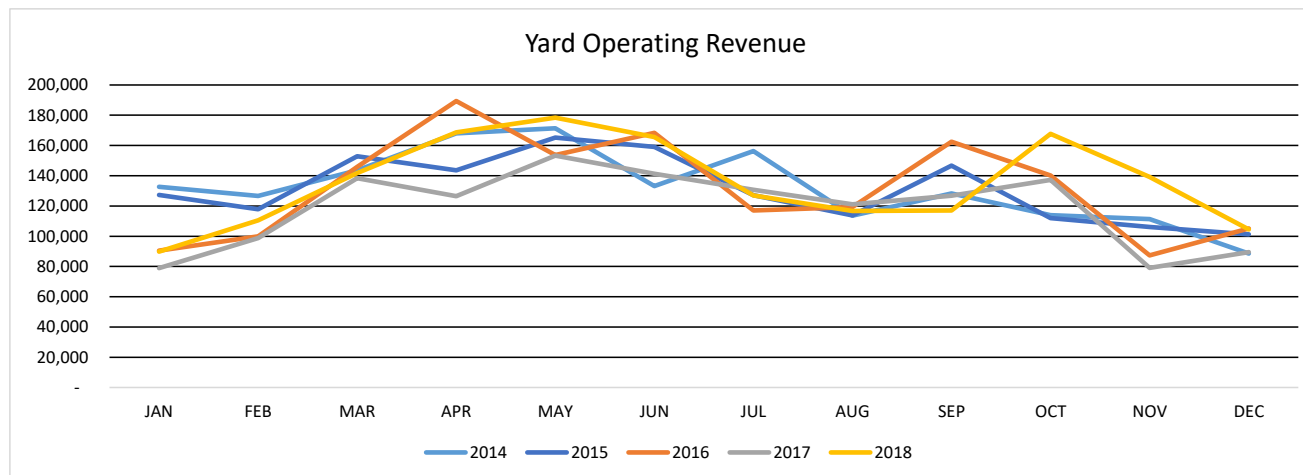
|      | JAN     | FEB     | MAR     | APR     | MAY     | JUN     | JUL     | AUG     | SEP     | OCT     | NOV     | DEC     | Total     |
|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| 2014 | 131,442 | 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 | 226,937 | 189,793 | 179,664 | 2,813,573 |



Clearly, 2018 has the best performance of the past five (5) years. This was due a different approach of managing of the marinas by booking more monthly, rather than nightly, increases in capacity by side ties, as well as the rate increases. In addition, the RV Nightlies and Monthlies were very successful in 2018.

**5 Year Trend of Yard Operations Revenue**  
**Monthly as of December 31, 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 | 167,753 | 139,193 | 104,507 | 1,627,169 |

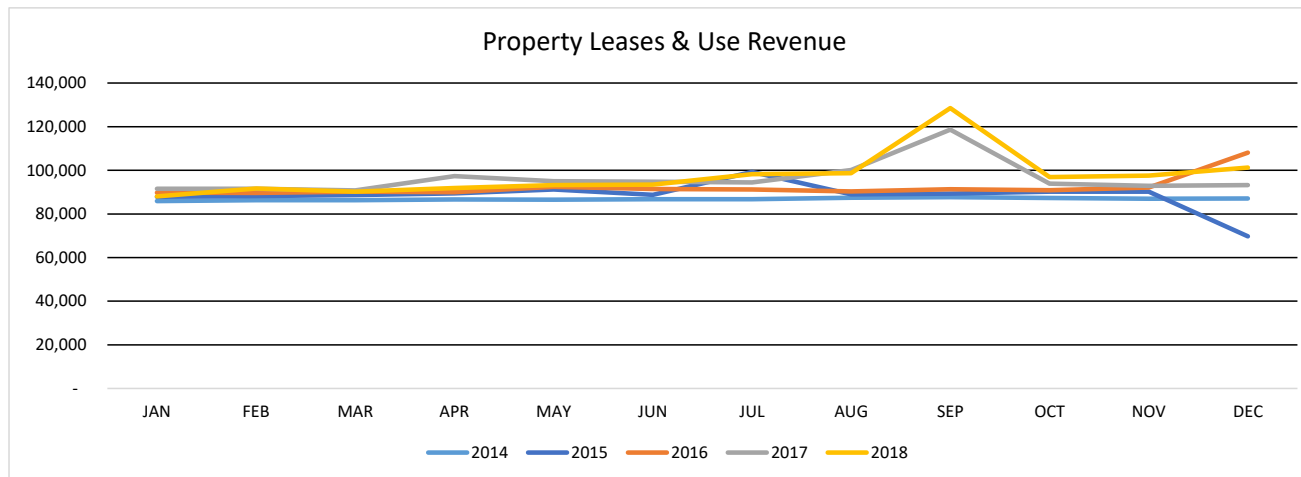


**Notes:**

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.
2. Similar to the Marina & RV revenues, Yard Ops revenue in 2018 has shown to have the best performance over the last 5 years. Even though the total actual revenues are lower than the budgeted amounts, some of this was due to the deep Yard discounts given to customers after the budget was already adopted. In addition, even though overall the Yard revenues are the best in 5 years, the Ship and Work Yard revenues (lay days) are below budget by \$144,000 combined, as a result of those deep discounts. These were off-set by 300 Ton Hoist fees, LT Storage fees, and Environmental fees.

**5 Year Trend of Property Lease & Use Revenue**  
**Monthly as of December 31, 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 | 96,891 | 97,547 | 101,275 | 1,169,729 |



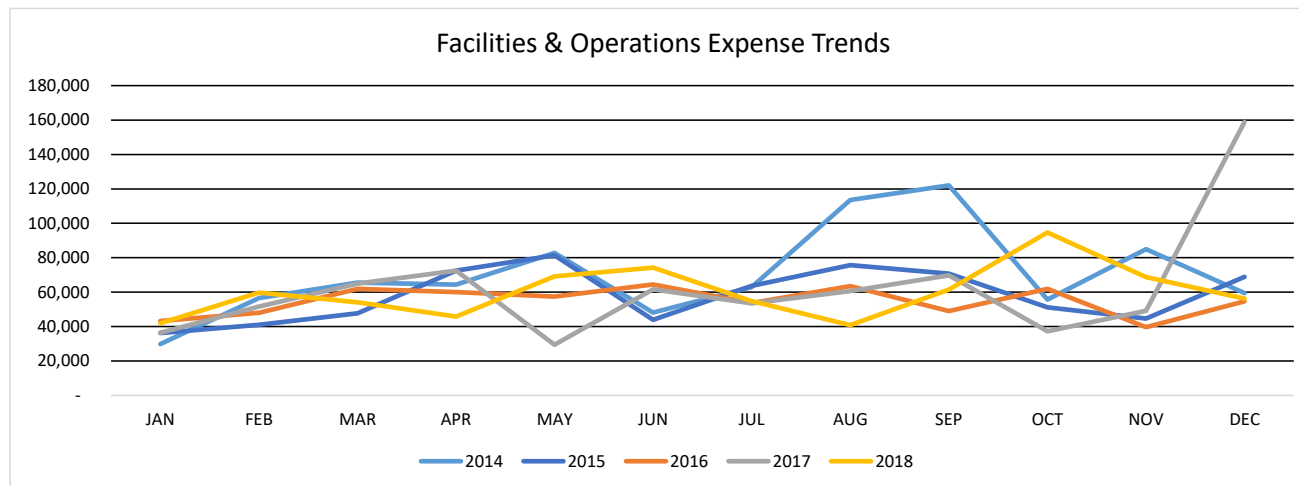
**Notes:**

1. The spike in September 2017 is related to the use of Port property for the Wooden Boat Festival. The revenue line items used to track the WBF were changed in 2017 as a "property use" under Event Facility Revenue.
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 WBF.



**5 Year Trend of Facilities & Operations Expenses**  
**Monthly as of December 31, 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  | 94,664 | 68,766 | 56,322  | 721,913 |



**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 which would have made it the lowest year of the five (5). 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:

| 2014      | 2015      | 2016     | 2017     | Total     |
|-----------|-----------|----------|----------|-----------|
| \$ 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).
4. Spike in October 2018 is as a result of the Landry bad debt write-off (non-cash).