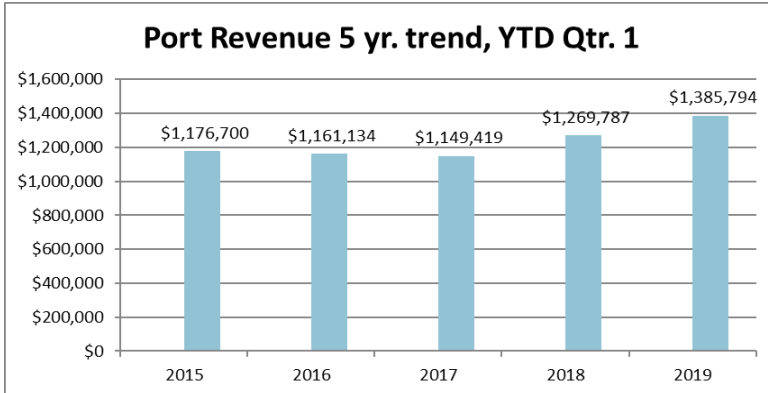
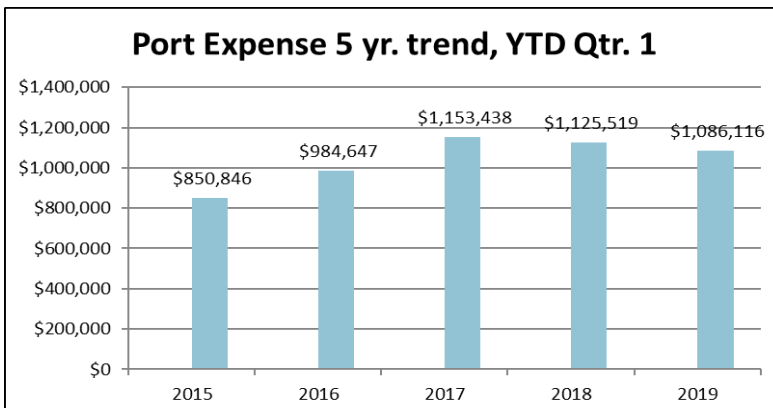


DATE: April 19, 2019
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of Quarter 1, 2019



Revenue Highlights:

- ✓ The Port started 2019 with Operating Revenues surpassing 2018 revenues by \$116,007, this is a 9.2% increase. This is just shy of the 2018 ending variance (increase) to 2017 which was 9.2%.
- ✓ Total Operating Revenues are ahead of the 2019 Budget by \$61,669.
- ✓ Boat Haven Moorage revenue is the sector lead in total YTD revenues, with the Yard right behind by approximately \$3,000. Compared to 2018, Boat Haven Moorage revenue is ahead by \$16,263 and more than budget by \$3,836.
- ✓ Yard revenues had a strong start with the greatest departmental revenue increase when compared to 2018 at \$69,847 (a 20% increase) and ahead of budget by \$37,206.
- ✓ Ship Yard Hoist revenues have started below 2018 by \$5,953 and below budget by \$8,214, however, the Ship Yard lay days surpass those decreases by \$24,575 when compared to 2018 and are ahead of budget by \$17,838.
- ✓ Work Yard Hoist revenues have a strong start in 2019 ahead of 2018 by \$10,874 and ahead of budget by \$8,020.
- ✓ 2019 Work Yard revenues (lay days) also started strong being ahead of 2018 by \$27,086 and ahead of budget by \$22,547.
- ✓ Boat Haven Property revenues are ahead of the prior year by \$16,456, and ahead of budget by \$18,458.
- ✓ Point Hudson (marina, rv & property) is just ahead of 2018 by \$4,376 and below budget by \$5,315.
- ✓ Quilcene revenues are ahead of 2018 by \$4,233 and ahead of budget by \$4,339.
- ✓ Ramp revenues just ahead of 2018 and budget by \$1,777 and \$1,104, respectively.
- ✓ JCIA revenues are just ahead of 2018 and budget by \$3,056 and \$2,041, respectively.



Expense Highlights:

- ✓ Total YTD 2019 Operating Expenses are less than 2018 by \$31,906, and below budget by \$95,396. These comparisons can be mis-leading since the decision to go to Cash Basis reporting occurred after the budget was adopted. As such, the budget will be adjusted by the next quarter report, not by total expense amounts, but by the estimated timing of those expenses in order to facilitate a truer picture of cost comparisons to budget. 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 \$18,351 less than 2018, and less than budget by \$40,582. In regards to the prior bullet, these costs are not mis-leading in comparison; the Port has simply reduced Personnel costs by staffing.
- ✓ Payroll Taxes reflect a \$15,376 increase over 2018 and \$10,102 over budget, however, \$16,228 of the YTD 2019 amount is LNI payment of Qtr. 4 expenses. This is a transitional period adjustment (of accounting methods) to consider when reviewing the year to year comparisons.
- ✓ Employee Benefits reflect a \$59,663 decrease over 2018 and \$67,959 under budget. This year to year variance is caused by timing since the benefits are paid after payroll and here, have fallen to the next month. December was paid in December, but January wasn't paid until February, so we are one (1) month behind. This will true up by year end.
- ✓ 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 and budget variance in Facilities & Operations expenses is primarily as the result of changes in financial reporting because insurance will now be recognized when paid, not evenly allocated monthly throughout the year. By quarter 2, the budget will be adjusted to reflect these timing differences (though not by total amounts).
- ✓ YTD utilities are significantly more in 2019 than 2018 (\$54,909) and budget (\$55,423). Most of that is directly related to the change in financial reporting and will true up by year end.
- ✓ YTD Travel & Training is higher when comparing year to year (\$6,087). Most of this variance is due to Hazwoper training (Hazardous Waste Operations & Emergency Response) of staff (\$4,181), and approximately \$1,000 in both Commission and Executive staff travel costs.

YTD Net Operating Income is \$297,396 and when including Non-Operating Revenues and Expenses, there is a Net Profit of \$539,980. 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 \$2,937 and ahead of budget by \$4,302.
- ✓ Property and other taxes are less 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 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. This will be adjusted for in the quarter 2 reports.

Capital Projects:

During quarter 1, 2019, the Port expended \$146,123 in WIP (capital project "Work in Progress"). These WIP expenses were for the JCIA Runway Rehabilitation (72%), PTBH Restroom Remodel (25%), and PTBH Water Meters / BFP (3%) projects.

Capital Purchases:

During quarter 1, 2019, there was \$38,545 spent for Equipment/Vehicles assets. This includes \$24,274 for a new Maintenance truck, \$10,432 for a Maintenance Vector Truck (purchased from the City), and a \$3,841 deposit on the new fob locking and video system for the PTBH Restrooms (total cost is \$15,364).

Debt Service Obligations:

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

- ✓ January - \$51,375 for interest on the 2015 LTGO Bond

Remaining debt service for 2019 includes the following:

- ✓ 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

These remaining payments total \$964,212 (\$715,000 of this amount is principal).

Cash & Investment balances:

At the end of the 1st quarter, the cash and investment balances (reserved and unreserved) totaled \$2,156,380, this is \$234,438 more than YTD Qtr. 1, 2018. The 1st Qtr. end Reserve balances totaled \$1,057,234 and the Unreserved balance totaled \$1,099,146.

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

	YTD Mar. 2018	YTD Mar. 2019	Variance to prior year - 2018 v 2019	notes	YTD Budget 2019	Variance to Budget YTD
REVENUES						
Boat Haven Moorage	414,389	430,651	16,263		426,815	3,836
Yard Operations	357,556	427,403	69,847		390,197	37,206
Boat Haven Properties	156,751	173,207	16,456		154,749	18,458
Pt. Hudson Marina, RV & Prop	267,363	271,739	4,376		277,054	(5,315)
Quilcene	28,492	32,725	4,233	a	28,386	4,339
Ramps	11,727	13,504	1,777	b	12,400	1,104
JCIA	33,509	36,565	3,056		34,524	2,041
Total Operating Revenues	1,269,787	1,385,794	116,007		1,324,125	61,669
OPERATING EXPENSES						
Salaries & Wages	495,003	476,652	(18,351)		517,234	(40,582)
Payroll Taxes	51,426	66,802	15,376	c	56,700	10,102
Employee Benefits	183,015	123,352	(59,663)	d	191,311	(67,959)
Uniform Expense	594	2,975	2,381		2,104	872
Contract Services	43,022	66,241	23,220	e	73,943	(7,702)
Consulting Services	18,683	17,828	(855)		24,000	(6,172)
Legal & Auditing	34,490	38,855	4,365	f	24,999	13,856
Facilities & Operations	155,762	98,921	(56,841)	g	152,016	(53,095)
Utilities	119,685	174,594	54,909	h	119,172	55,423
Marketing	9,468	8,235	(1,233)		10,835	(2,600)
Economic Development	-	-	-		-	-
Travel & Training	5,221	11,308	6,087	i	7,545	3,763
Cost of Goods - Fuel	1,654	2,599	946		1,654	945
Community Relations	-	35	35		-	35
Total Operating Expenses	1,118,022	1,088,398	(29,624)		1,181,512	(93,114)
Income from Operations w/o Depr	151,765	297,396	145,631		142,613	154,783
Non-Operating Revenue						
Capital Contributions/Grants	73,287	131,223	57,936		93,028	38,195
Interest	4,665	7,602	2,937		3,300	4,302
Property & other taxes	268,164	147,466	(120,697)	j	265,415	(117,949)
Misc Non-Operating Revenue	10,937	7,818	(3,120)		6,955	863
Total Non-Operating Revenues	357,053	294,109	(62,944)		368,698	(74,589)
Non-Operating Expenses						
Bond Interest	79,432	51,375	(28,057)	k	73,458	(22,083)
Bond Mgmt, Issuance & Misc Exp	150	150	-		370	(220)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	79,582	51,525	(28,057)		73,828	(22,303)
Net Non-Operating Income (Expense)	277,471	242,584	(34,887)		294,870	(52,286)
Net Income (Loss)	429,236	539,980	110,745		437,483	102,497

Notes:

(a) *Late 2018, added 3 water meters and increased rates to match current Jefferson PUD water rates. In addition, fuel sales increased compared to last year when the pump needed repair and took 1-2 months to obtain parts and repair. Ramp Fees collected also increased as compared to 2018.*

(b) *Sold substantially more Annual Passes in Jan. 2019 than 2018.*

(c) *Part of moving to Cash Basis reporting, this amount includes the Qtr. 4, 2018 LNI payment.*

(d) *Benefits paid in February (Cash Basis), not accrued back to January like in 2018.*

(e) *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).*

(f) *Substantial invoice for legal services related to current litigation.*

(g) *Part of moving to Cash Basis, Insurance will not be allocated monthly, but recognized when paid.*

(h) *Approximately \$51,000 is directly related to the change to Cash Basis reporting since there's no accrual of December incurred utilities. In addition, with an unusually cold February and full Boat Yard, the electricity cost was significantly larger than 2018 (~\$4,000). Also, garbage fees are increasing.*

(i) *When comparing 2019 to 2018, the current year there was an environmental training for staff (\$4,181), and both Commission and Executive departments are higher by ~\$1,000 each.*

(j) *Cash Basis change, Prop. Tax not allocated monthly by budget, but recorded as received so the year to year comparison is large. An adjustment to timing of those revenues in the budget will be made for quarter 2.*

(k) *Part of moving to Cash Basis, Bond Int. exp. not allocated monthly, but recognized when paid.*

**Port of Port Townsend
YTD Cashflow report**

		YTD March 2019
Net Income w/out Depreciation	notes	539,980
Net Change in Accruals from Balance Sheet*		(84,553)
Less: Capital Expenses:		
Point Hudson South Jetty project		-
WorkYard Resurfacing 2018		-
JCIA Runway Replacement project		(105,551)
PTBH Water Meters project		(4,655)
2019 PTBH Restroom Remodel		(36,056)
Land		-
Buildings		-
Improvements		-
Equipment replacement	a	(38,546)
Total Capital Expenses		(184,808)
Less: Principal Payments on Debt:		
Hudson Point Refunding Bond		-
PTBH Marina Bond		-
Total Principal Payments		-
Increase (Decrease) in Cash Y-T-D		270,619
Beginning Cash at 1/1/2019		1,885,761
Ending Cash at 3/31/2019		2,156,380

*These are current assets and current liabilities.

Notes:

(a) Purchase of Vactor truck from City of Port Townsend (\$10,432), new Maintenance pick-up truck (\$24,274) and deposit on BH Restroom Fob Locking system (\$3,841).