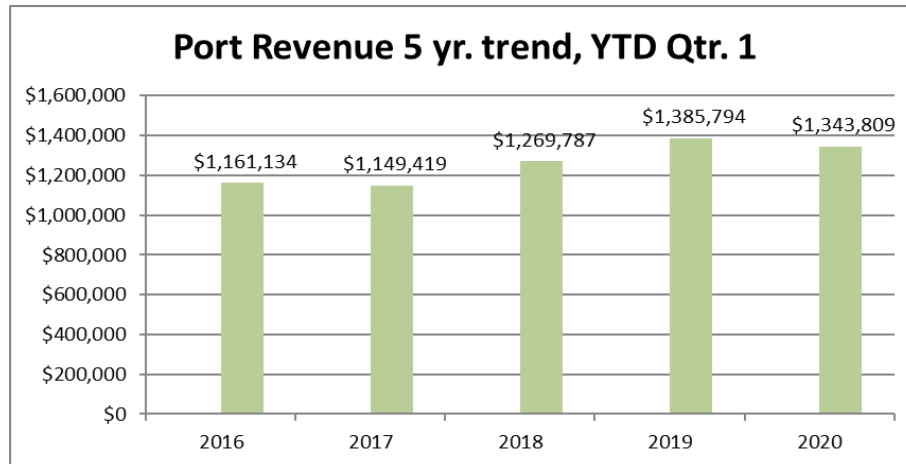
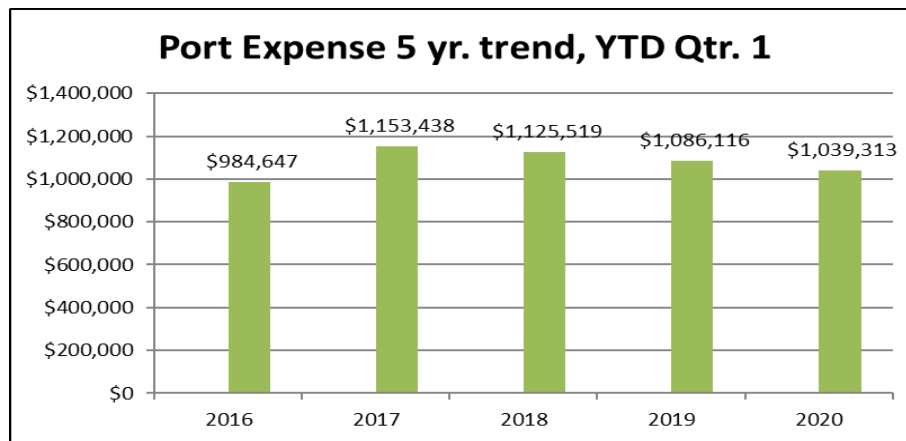


DATE: April 22, 2020
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Financial Results as of Quarter 1, 2020



Revenue Highlights:

- ✓ The Port is below 2019 Operating Revenues by \$41,986, and below 2020 budget by \$70,238.
- ✓ All sectors are down, except Quilcene, but the increase is nominal.
- ✓ The decline in Moorage, \$15,299, when compared to 2019 is primarily the reduction in Monthly Guest revenues of \$14,351. Same is true when comparing to budget.
- ✓ The decline in Yard, \$15,106, when compared to 2019 is a combination of many changes, but the significant line items effected are a reduction in 75/70 Ton Hoist Revenue, \$17,074, an increase in 300Ton Hoist Revenue of \$16,413, an increase in Work Yard Revenue of \$18,786 and combined decrease in Ship Yard Revenue & Electric of \$33,594. The overall Yard Revenues are below budget by \$18,489.
- ✓ Boat Haven Property revenue was less than 2019 by \$4,654. Most of this variance is likely due to the change in accounting from accrual to cash. The 2020 actual is \$16,237, which is more than budget. During the 2020 budget development, this department had a loss in revenues from the beginning of 2019 until September of more than \$5,000 each month progressively (January revenues were \$53,195, September revenues were \$47,700). As such, revenues were reduced in the budget. However, these increases over budget 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) was less than 2019 by \$4,680 and below budget by \$28,132. While building lease revenues have started to climb above 2019 revenues by \$6,332, the RV Park (both Monthly and Nightly) was hit hardest with combined losses of \$5,086. The variance of Point Hudson's overall 2020 actual compared to budget is reflected by the higher expectations of revenue in Moorage, RV, building leases and utilities.
- ✓ Quilcene revenues appear to be most stable when comparing year to year (slight increase of \$589) and budget (slight decrease of \$57). The Permanent Moorage and Liveaboard Revenues have carried the other minor reductions in revenue at that facility. This is likely due to having regular full-time staff on-site during season and part-time off season.
- ✓ Ramp revenues were less than both 2019 and budget (\$2,249 and \$2,645, respectively). These losses are primarily related to Ramp Fee sales (\$1,815 less than in 2019, and \$2,341 less than budget), at the time of this report preparation, we could not determine whether the discounted Annual Ramp fees in Qtr. 1, 2020 benefited the Port.
- ✓ JCIA YTD March revenues were only slightly less than 2019, \$587, and just a bit more than budget, \$1,556.



Expense Highlights:

- ✓ Total YTD 2020 Operating Expenses are less than both 2019 and budget (\$33,775 and \$164,001, respectively).
- ✓ Salaries & Wages show a reduction when compared to 2019 of \$36,718. It should show an increase variance of \$54,885 because the last payroll in March wasn't posted in the correct month. The budget variance would then be \$33,288 less than actual instead of \$124,891 less. The \$33,288 variance is primarily due to the budgeted timing of the new Executive Director's start date.
- ✓ The variances in Employee Benefits (when compared to 2019 and budget) are related to the changes in staffing and posting of March payroll as 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, Legal & Auditing, Facility & Operations, etc.). The more significant line item variances are noted in the financial statement report footnotes.
- ✓ The year to year and budget variances in Facilities & Operations expenses is primarily as the result of the write-off of Bad Debt in the amount of \$48,773. Some of these write-offs were offset by the income from the DNR Derelict Vessel program (in the amount of \$30,589). Most of these write-offs (78%) were from 2019 billings and 22% were from years 2016-2018.
- ✓ Utilities costs were less than both 2019 and budget (\$19,158 and \$9,137, respectively). This is primarily due to the warmer winter in 2020.
- ✓ Travel & Training costs were less than 2019 and budget (\$7,339 and \$4,313, respectively). There has been less travel YTD in 2020 and in 2019 there was a HAZWOPPER training for all relevant staff which cost ~\$4,200.
- ✓ Community Relations are more than 2019 by \$6,747 and were not budgeted for 2020. This included Deck the Docks (from December), Meet & Greet the new ED at NWMC and sponsorship of a high school racing team for Race to Alaska.

YTD Net Operating Income is \$304,496 and when including Non-Operating Revenues and Expenses, there is a Net Profit of \$637,632. This overall increase 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 2019 due to the timing of grant billing and receipting, which varies.
- ✓ Interest income is higher in 2019 than 2020 since interest rates have fallen over the last year. However, compared to budget, 2020 is almost on target.
- ✓ Property and other taxes are significantly more in 2020 than 2019 due to the IDD Tax levy. The year to year variance is almost exactly the amount received YTD for the IDD (\$109,185).

Non-Operating Expenses:

- ✓ The Port's bond interest paid YTD is more than in 2019 since that same bond's interest was paid in December 2018 for January's due date of 2019.

Capital Projects:

During Quarter 1, 2020, the Port expended \$72,746 in various WIP (capital project "Work in Progress"). These projects are listed on the Cashflow report. There was one (1) capital improvement expense in the amount of \$1,000 which was for the installation of the electrical for the shed built to house the DirecTV equipment at Point Hudson.

Capital Purchases:

YTD Quarter 1, 2020 shows one (1) capital purchase which was for jack stands used in the Boat Yard. These cost \$19,969 (as noted in the Cashflow report).

Debt Service Obligations:

YTD Quarter 1, 2020, the following debt service payments were made:

- ✓ January - \$44,625 for interest only on the 2015 LTGO Bond

The remaining debt service due in 2020 is as follows:

- ✓ June - \$93,619 for interest only on the 2010 LTGO Bond
- ✓ July - \$504,625 for principle and interest (\$44,625) on the 2015 LTGO Bond
- ✓ December - \$388,619 for principal and interest (\$93,619) on the 2010 LTGO Bond

Cash & Investment balances:

At the end of the 1st quarter, the cash and investment balances totaled \$3,745,268. Of that total, year-end Reserve Cash & Investment balances were \$1,384,880, of which IDD Levy Tax Reserve is \$109,185. Unreserved Cash & Investments totaled \$2,360,388.

Port of Port Townsend
Summary of Operating & Non-Operating Revenues & Expenses
2020 Activity with Comparison to Prior Year and Budget

	YTD Mar 2019	YTD Mar 2020	Variance to prior year - 2019 v 2020	notes	YTD Budget 2020	Variance to Budget YTD
REVENUES				a		
Boat Haven Moorage	430,651	415,352	(15,299)		450,948	(35,596)
Yard Operations	427,403	412,297	(15,106)		430,786	(18,489)
Boat Haven Properties	173,207	168,554	(4,654)		152,317	16,237
Pt. Hudson Marina, RV & Prop	271,739	267,059	(4,680)		295,191	(28,132)
Quilcene	32,725	33,314	589		33,371	(57)
Ramps	13,504	11,255	(2,249)		13,900	(2,645)
JCIA	36,565	35,978	(587)		37,534	(1,556)
Total Revenues	1,385,794	1,343,809	(41,986)		1,414,047	(70,238)
EXPENSES						
Salaries & Wages	476,652	439,934	(36,718)	b	564,825	(124,891)
Payroll Taxes	50,575	46,860	(3,715)		56,100	(9,240)
Employee Benefits	123,352	132,356	9,004	c	198,769	(66,413)
Uniform Expense	2,975	4,281	1,306		2,157	2,125
Contract Services	66,453	75,309	8,856	d	65,349	9,960
Consulting Services	17,828	-	(17,828)		10,000	(10,000)
Legal & Auditing	38,855	4,776	(34,079)	e	24,999	(20,223)
Insurance	-	228	228		-	228
Facilities & Operations	99,719	157,212	57,493		97,352	59,860
Utilities	174,594	155,436	(19,158)	f	164,573	(9,137)
Marketing	8,235	10,134	1,899		8,208	1,926
Economic Development	-	-	-		-	-
Travel & Training	11,308	3,969	(7,339)	g	8,282	(4,313)
Cost of Goods - Fuel	2,506	2,035	(471)		2,700	(665)
Community Relations	35	6,782	6,747	h	-	6,782
Total Expenses	1,073,087	1,039,313	(33,775)		1,203,313	(164,001)
Income from Operations w/o Depr	312,707	304,496	(8,211)		210,734	93,763
Non-Operating Revenue						
Capital Contributions/Grants	131,223	111,670	(19,553)	i	25,000	86,670
Interest	7,602	5,745	(1,857)		6,600	(855)
Property & other taxes	147,466	254,898	107,432	j	131,087	123,811
Misc Non-Operating Revenue	7,818	5,597	(2,221)		6,955	(1,358)
Total Non-Operating Revenues	294,109	377,911	83,802		169,642	208,269
Non-Operating Expenses						
Bond Interest	-	44,625	44,625	k	44,625	-
Bond Mgmt, Issuance & Misc Exp	150	150	-		370	(220)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	150	44,775	44,625		44,995	(220)
Net Non-Operating Income (Expense)	293,959	333,136	39,177		124,647	208,489
Net Income (Loss)	606,666	637,632	30,965		335,381	302,251

Notes:

(a) *This report is based on the accrual model, not CASH. The Cash report will be rolled out for the April YTD report in May. When comparing 2019 to 2020 Revenues, know that the 2019 revenues are accrued, but the 2020 are not. Expenses are comparable since we do not hold Port payables.*

(b) *Comparing 2019 to 2020, the timing of PR on a Cash Basis is most of the variance for Personnel costs. March 31 period end payroll (Salaries/Wages) was paid on April 2 in the amount of \$91,603, which is a variance from 2019 of \$54,885. The increase is directly attributable to the addition of three (3) new positions (Lease & Contracts Administrator, Environmental Specialist & Custodian) and a 1/2 month of the replacement ED position, while maintaining the former ED. In addition, there was an empty CSR position in January and February of 2019.*

(c) *The comparison of 2019 to 2020 Benefits is as expected to be higher (\$9,004) due to the 3 new positions mentioned in item (b). However, 2020 YTD budget is greater than actual for Benefits due to the timing of the March 31 payroll - item (b).*

(d) *Variance to prior year and budget is directly related to four (4) months of back-charges from Skookum for September - December. During that time, the Port was in negotiations with them regarding ongoing custodial contract for services.*

(e) *In 2019, approximately \$25,000 was spent on the Seattle Maritime Academy litigation, in addition, YTD 2020 reflects less use/need of this service.*

(f) *Utilities for 2020 YTD are less when compared to 2019 (by \$19,158), and slightly less than budget YTD by \$9,137. Some of the prior year costs are related to paying off the last months of a contract with CenturyLink in early 2019. In addition, the weather in 2019 was colder so Electricity usage was more.*

(g) *YTD 2019 Travel & Training was higher than 2020 due to the timing of staff travel reimbursement submittals and payments, in addition, in 2019 all relevant staff participated in HAZWOPPER training (which cost ~\$4,200).*

(h) *2020 costs were higher for Community Relations when comparing to 2019 and Budget due to Deck the Docks event held in December, the rental deposit paid for the Executive Director candidate meet and greet held at the NWMC in January, and the sponsorship of the high school sailing team for the Race to Alaska.*

(i) *The variance between YTD 2019 to YTD 2020 Capital Contributions/Grants is to be expected dependent on grant billing and receipt.*

(j) *When comparing YTD 2019 to YTD 2020, the amount of Property & Other Taxes line item increase in 2020 is primarily due to the IDD Levy. YTD income for that levy is \$109,185.*

(k) *Bond interest for January 2019 was paid in December 2018.*

**Port of Port Townsend
YTD Cashflow report**

		YTD March 2020
	notes	
Net Income		637,632
Net Change in Accruals from Balance Sheet*		(25,384)
Less: Capital Expenses:		
WorkYard Resurfacing 2019		(665)
JCIA Runway Replacement project		(12,385)
BH Breakwater Repair 2019		(233)
PH South Jetty 2019-2020		(29,080)
PH 375 Hudson St. - Air Quality Imprvmts 2019 Improvements		(30,383)
Equipment replacement	a	(1,000)
Total Capital Expenses		(93,715)
Less: Principal Payments on Debt:		
PTBH Marina - 2010 LTGO Bond		-
Point Hudson - 2015 LTGO Refunding Bond		-
Total Principal Payments		-
Increase (Decrease) in Cash Y-T-D		518,533
Beginning Cash at 1/1/2020		3,226,735
Ending Cash at 3/31/2020		3,745,268
<i>Ending Reserves - Other</i>		<i>1,275,695</i>
<i>Ending Reserve - IDD</i>		<i>109,185</i>
<i>Ending Unreserved</i>		<i>2,360,388</i>

**These are current assets and current liabilities.*

Notes:

(a) Purchase of Jack Stands for the Yard