



Port of Port Townsend Commission Workshop

Wednesday, August 12, 2020, 9:30 a.m.

Via <https://zoom.us/> – or call (253) 215-8782 – and use Webinar ID: **862 6904 3651**, Password: 911887
This meeting will only be accessible remotely, as per Governor's Proclamation 20-28.

Workshop Agenda

Discuss Budget issues, goals & assumptions, will include review of year-to-date June 2020 budget to actual results presented at the July 22nd Commission meeting.

- Include Operations & Maintenance Managers to discuss potential rate increases, new rates, equipment purchase requests and operating expenses.

Note: This is a Public Port Commission Workshop. Workshops are for information sharing only and no decisions will be made during the session. Public input may be taken at the Commissions' discretion.

PORT OF PORT TOWNSEND

AGENDA MEMO

DATE: 8/12/2020
TO: Commission
FROM: Eron Berg, Executive Director & Abigail Berg, Finance Director
SUBJECT: 2021 Budget

ISSUES

1. Provide the Commission with preliminary assumptions underlying the development of the 2021 budget.
2. Discussion of preliminary priorities for the 2021 budget.

BACKGROUND

The commission adopted the 2021 budget schedule on July 22nd which includes a kick-off meeting on August 12th to discuss the issues, goals and assumptions being used to develop the 2021 budget. Both Terry and Chris will be in attendance to discuss operations and maintenance goals and priorities for 2021 as well.

The proposed 2021 budget will be heavy on maintenance and projects as we continue to focus on the clear mandate to care for the facilities the Port owns and operates.

DISCUSSION

This will be a challenging year to budget for since the impact of the pandemic in the Spring of 2020 has not been fully realized. After being sheltered in place for almost two months, the summer season started late June and it almost appears to be business as usual. But there's still some uncertainty based on how the pandemic is impacting the rest of the nation.

The June 2020 CPI-U for Seattle-Tacoma-Bellevue came in a 0.09%; this is the lowest reported CPI in this region since 2010. The Port has used the CPI as a guide for increasing rates each year, so that we can try to stay current with rising costs. Based on this most recent CPI report, we will recommend a 1-1.5% increase to most rates charged by the Port. Other revenue items for discussion in the proposed budget include:

- Updating boat launch fees to reflect the new "annual" pass and deleting the early bird discount;
- The possibility of a discount for moorage tenants who pre-pay annually, by cash, of approximately 5%;
- Review and consideration of possible stormwater fees at JCIA to cover annual stormwater maintenance (i.e., ditches, catch basins and piping);
- Review and update to JCIA tie-down fees to better fit the standard for similar airports (i.e., offering a few hours of free use of the ramp);
- Addressing the "grandfather" issue relating to moorage slips where approximately 70 tenants are paying moorage based on the size of the vessel rather than the size of the slip, updating to conform to current policy effective January 1, 2021; and

The CPI is also used as a rate to apply to compensation to ensure staff pay is current with the rising cost of living. Contractually and in accordance with Port policy, the Port is obligated to apply a minimum CPI increase to compensation in the amount of 2%, which is below the June CPI reported amount. There are also several newer Port employees that we anticipate will continue performing well and be eligible for a step increase in 2021. The collective bargaining agreement (CBA) between the Port and the Teamsters expires this year and bargaining will begin shortly.

With the onset of the pandemic in March, the Port did not hire any seasonal workers as is the normal course of business. While this may save money for the Port in 2020, we do not anticipate repeating this in 2021 and intend to propose an increase in seasonal staffing to support the maintenance and landscaping at Point Hudson and JClA, in particular.

We've received the September 1 effective date for PERS rate increases and are awaiting the healthcare cost adjustments for 2021, which are typically received in October. PERS employer rates increased from 12.86% to 12.97%.

With the passage of the IDD Levy and our renewed focus on maintenance and projects, the Port has a need for a capital projects manager. We are currently looking at the possibility of hiring an engineer to serve in that role, managing our capital program, supporting maintenance and freeing up Eric to perform his primary duties. The Port also has a need for additional support with IT and GIS and we are considering the most effective ways to support those needs.

Continuing the theme of maintenance and projects, we are currently looking at specifications and costs for critical equipment including a new forklift for yard operations, an excavator for maintenance and projects and a pickup truck for yard operations.

The proposed 2021 budget will also include costs for continued grant writing support, governmental affairs consulting, contract engineering, environmental permitting, etc. Capital projects will be a primary cost driver in 2021 and it is our intent to present you with a budget that positions the Port to have projects "shovel ready" and competitive for funding opportunities.

One proposed shift in the structure of the budget is to track debt service and repayment by operational unit (i.e., existing debt for A-B dock replacement will show as an expenditure from Boat Haven Moorage) rather than using property taxes exclusively for debt repayment. This will provide a measure of transparency as we attempt to track our business by operational unit and will require the use of property taxes to "subsidize" various operational units annually.

Another proposed shift in the structure will be a change to the reserve funds to merge the hazardous waste and contingency reserves into an emergency reserve (with a target of \$500,000 balance) and begin an ER&R type fund for future equipment replacement.

The presentation of the budget will be updated to make it more accessible to the public including:

- More pie charts showing where all the money comes from (not just operations) and where all the money goes;
- Putting debt services costs in the department where the improvements occurred;
- Tracking IDD Levy revenues and expenditures in detail; and

- More detail on budget development process highlighting opportunities for public engagement (mostly as a review of the 2021 process and as a look ahead to the 2022 budget development process).

Following your discussion and direction, the next step in the 2021 budget process is continued development of the budget itself with Eron and Abigail working with managers. The next scheduled check-in with the commission is a status update on August 26. If members of the public have ideas for the 2021 budget, now is an ideal time to share them. The more formal process of public engagement begins on September 23 with the presentation of the draft budget (available to the public on September 18).

FISCAL IMPACT

As discussed herein.

ATTACHMENTS

Q2 YTD financial report

RECOMMENDATIONS

1. Provide direction, if any, related to the preliminary assumptions underlying the development of the 2021 budget.

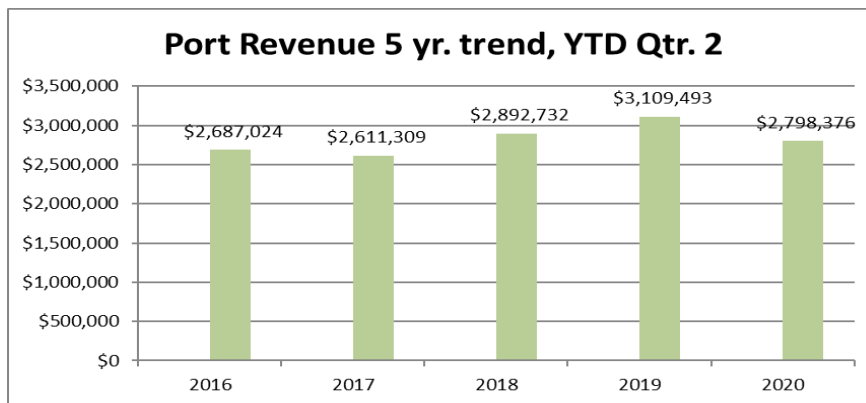
PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 7/22/2020
TO: Commission
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Qtr. 2, 2020 YTD Financial Report

Starting in May, the financial reports are a hybrid of GAAP and Cash Basis reporting. Understand that when comparing 2019 to 2020 revenues, the 2019 are all GAAP (accrued) and in 2020 all months but January are on a Cash Basis. The full Cash report will be rolled out in the next month or so; the adjustments for changing January accrued revenues to cash basis require transaction level detail that is tedious yet is required to be accurate. Expenses year to year are more comparable since the Port pays its bills as received.

Highlights of quarter 2 year-to-date financial performance:



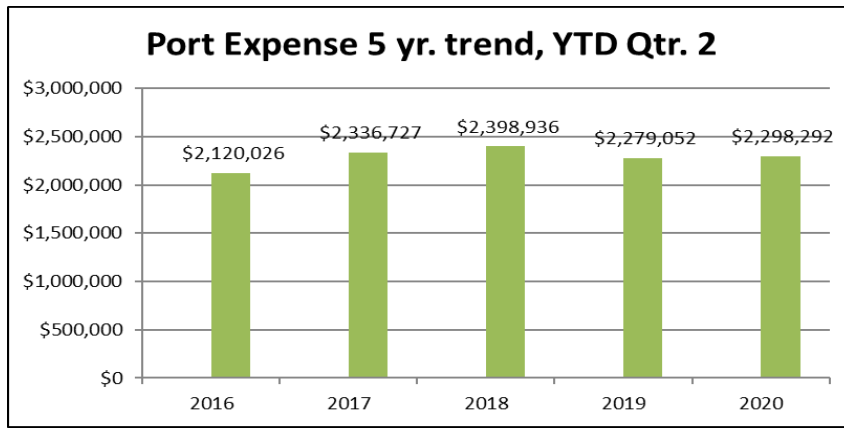
The 2nd quarter of 2020 is the first quarter where the full effects of the pandemic are seen. Port revenues are below the prior year, which has not been the trend in the past 5 years and are also below the adopted 2020 budget. Typically, this is the period when revenues steadily climb as we enter into the summer season. The delta is just over \$300,000 in comparative reductions to 2019 and adopted budget which is not a surprise given the pandemic's effect on the economy. Comparative to the past 5 years, 2020 currently sits in 3rd place.

The hardest hit is Point Hudson due to the limitations on Nightly Guests at both the RV Park and the Marina. When compared to 2019, the reduction is close to \$160,000, when compared to the budget the reduction is about \$197,000.

Yard is the next Port facility to be most impacted by the pandemic with reductions from the prior year of almost \$79,000, and for budget is almost \$132,000. These reductions were primarily due to a significant reduction in Ship Yard revenues as well as fewer 70/75 Ton haul-outs and Work Yard revenues. The Work Yard was greatly impacted because recreational haul outs were ceased for

about 2 ½ months, and the seasonal rate for lay days was extended by 2 months. YTD Work Yard haul outs for 2019 and 2020 were 379 and 258, respectively. This is a 32% reduction.

PTBH Moorage also took a significant hit due to the pandemic with reductions compared to last year of just under \$52,000 and almost \$75,000 when compared to budget. The largest reductions are in Nightly Guest revenue, similar to Point Hudson, as well as Monthly Guest revenue. There was an increase in Permanent Moorage due to increasing the number of Permanent guests (off the waitlist), which helped to off-set the aforementioned reductions, though not completely.



The Port reacted promptly to the pandemic, not just with Emergency Orders to protect staff and customers, but to reduce expenses wherever possible. Overall, when compared to 2019, expenses are more by almost \$82,000, and are below the adopted budget by approximately \$171,000.

Most of these savings have been gained through reduced costs in Contract Services, Consulting, Legal & Auditing, Marketing, Travel/Training and Cost of Goods – Fuel. Utilities show a year to year reduction of just over \$42,000, though due to the July 4th holiday, the PUD billing was received late and couldn't be processed until the July 8th meeting. This reduced the "June YTD" cost savings by approximately \$14,000. When compared to 2019, the increases have primarily been in Personnel which includes having two (2) Executive Directors on staff for three and a half months. It is challenging to hold the line for staff costs since those costs consistently increase. We also want to maintain our trained and experienced staff in order to maintain high quality, consistent customer service. However, when compared to budget, Personnel costs are on target.

Capital Project Expenses YTD

Workyard Resurfacing 2019	\$665
JCIA Runway Rehabilitation	\$320,764
BH Breakwater Repair 2019	\$51,358
PH South Jetty 2019-2020	\$83,267
PH WDFW Air Quality Imprvmnts	\$30,134
Workyard Resurfacing 2020	\$475
Linear Dock Electrical 2020	\$252

D-Dock Renovation 2020	<u>\$504</u>
Total	\$487,419

Capital Purchase Expenses YTD

Jack Stands for Yard	\$39,938
Power to Direct TV location (PH)	<u>\$1,000</u>
Total	\$40,938

Ending Cash Balances as of June 30, 2020:

Reserved Cash & Investments	\$1,813,159 ^(a)
Unreserved Cash	<u>2,681,011^(b)</u>
Total Cash & Investments	\$4,494,170

(a) Of this total, the IDD Tax Levy account balance is \$484,415.

(b) The debt service payment due July 1 for the 2015 LTGO Refunding Bond is \$504,625.

Cash Deposit Comparison YTD 2019 to 2020

When compared to the prior year, the cash deposited for operating activity is down by approximately \$143,000, which is only an additional \$43,000 from May YTD. The graph shows these almost parallel lines of income which appear to be on the same trajectory. The receipts for taxes and other non-operating related revenues are up by approximately \$607,000, most of which is due to the IDD Tax Levy receipts. Of note is that in 2019 the Port had received payment for the New Day Fisheries building at this point for \$100,000 which also falls in this latter category.

Overall, considering the fiscal effects of the pandemic on Port revenues to date, incoming cash has not been too badly affected.

DISCUSSION

As requested by Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.

Port of Port Townsend
2020 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD June 2019	YTD June 2020	Variance to prior year - 2019 v 2020	notes	YTD Budget 2020	Variance to Budget YTD
REVENUES						
Boat Haven Moorage	927,755	875,990	(51,766)	a	950,826	(74,836)
Yard Operations	963,342	884,437	(78,905)		1,016,257	(131,820)
Boat Haven Properties	361,684	351,367	(10,317)		306,356	45,011
Pt. Hudson Marina, RV & Prop	664,846	506,593	(158,253)		704,229	(197,636)
Quilcene	84,371	79,373	(4,998)		82,313	(2,940)
Ramps	32,060	27,198	(4,861)		30,180	(2,982)
JCIA	75,435	73,418	(2,017)		76,084	(2,666)
Total Revenues	3,109,493	2,798,376	(311,116)		3,166,245	(367,869)
EXPENSES						
Salaries & Wages	991,922	1,116,649	124,727	b	1,151,828	(35,179)
Payroll Taxes	108,773	117,140	8,368		116,080	1,060
Employee Benefits	317,856	490,743	172,888	c	405,466	85,277
Uniform Expense	3,633	4,441	808		4,391	50
Contract Services	126,948	120,933	(6,016)		125,230	(4,297)
Consulting Services	47,251	-	(47,251)		20,000	(20,000)
Legal & Auditing	52,143	9,764	(42,379)	d	49,998	(40,234)
Insurance	547	1,199	652		-	1,199
Facilities & Operations	220,273	223,290	3,017		225,364	(2,074)
Utilities	293,124	250,524	(42,600)	e	301,915	(51,391)
Marketing	28,677	19,445	(9,232)		28,399	(8,954)
Economic Development	-	-	-		15,000	(15,000)
Travel & Training	17,268	9,235	(8,033)	f	17,050	(7,815)
Cost of Goods - Fuel	8,067	2,035	(6,033)	g	8,800	(6,765)
Community Relations	35	3,527	3,492	h	-	3,527
Total Expenses	2,216,518	2,368,925	152,407		2,469,521	(100,595)
Net Operating Income (Loss)	892,975	429,451	(463,524)		696,724	(267,273)
Other Increases in Fund Resources						
Deposits & Retainage Collected	33,592	46,158	12,566	i	-	46,158
Taxes Collected	413,043	283,128	(129,915)	j	-	283,128
Capital Contributions/Grants	197,894	249,870	51,976	k	838,400	(588,530)
Interest	31,900	7,864	(24,036)	l	29,200	(21,336)
Property & other taxes	643,153	1,112,805	469,651	m	625,617	487,188
Misc Other Incr. in Fund Resources	114,056	13,160	(100,895)	n	13,620	(460)
Total Other Incr. in Fund Resources	1,433,637	1,712,985	279,347		1,506,837	206,148
Other Decr. In Fund Resources						
Deposits & Retainage Paid	13,850	11,408	(2,442)	o	-	11,408
Taxes Remitted	401,106	266,262	(134,844)	p	-	266,262
Bond Interest	98,919	138,244	39,325	q	138,244	(0)
Bond Mgmt, Issuance & Misc Exp	300	9,756	9,456		755	9,001
Election Expense	-	15,674	15,674	r	-	15,674
Total Other Decr. In Fund Resources	514,175	441,344	(72,831)		138,999	302,345
Net Other Incr./Decr. Fund Resrcs	919,463	1,271,641	352,178		1,367,838	(96,197)
Net Incr./Decr. All Fund Resources	1,812,437	1,701,092	(111,345)		2,064,562	(363,470)

Notes:

(a) Starting in May, this report is a hybrid of Accrual/Cash. The full Cash report will be rolled out in the next month or so; the adjustments for January Accrued Revenues is in process (and is tedious). Understand that when comparing 2019 to 2020 Revenues, the 2019 revenues are on an Accrual Basis, and in 2020, all months but January, are on a Cash Basis. Expenses year to year are more comparable since the Port pays its bills as they are received.

(b) Comparing 2019 to 2020, the variance is primarily due the following: two (2) new positions implemented approximately mid-year 2019 (Lease & Contracts Admin., Enviro Spec.), the Custodian position added in Jan. 2020, and the Executive Director overlap in 2020. YTD Actual is under YTD Budget.

(c) The comparison of 2019 to 2020 Benefits is as expected to be higher due to the added positions mentioned above, as well as, paying 2 Executive Directors through June 30. The YTD 2020 benefits budget is slightly less than actual because of the unbudgeted Custodian and Yard Laborer positions filled January 1.

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

(e) Utilities YTD compared to the prior year and budget are low because the PUD bill was received late due to the holiday and didn't get paid until July 8th. The bill was \$14,148.

(f) YTD 2019 Travel & Training was higher than 2020 due to the timing of staff travel reimbursement submittals and payments, HAZWOPPER training (which cost ~\$4,200), and WPPA conferences attended in 2019 that have been cancelled in 2020 due to the Covid-19 pandemic.

(g) Cost of Goods - Fuel is below YTD 2019 and budget because we have decommissioned that fuel system.

(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) "Refundable Deposits & Retainage" is new to this report and comes from the Cash Basis reporting requirements. It includes recognition of cash collected by the Port for these purposes.

(j) "Taxes Collected" is new to this report and comes from the Cash Basis reporting requirements. It is recognition of cash collected by the Port for Sales, Leasehold and Hotel/Motel Taxes.

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

(l) Interest rates have dropped significantly and the YTD Interest Income is just below 50% of 2019 and also less than budget. The ARRA Bond subsidy, as with many federal monies, took longer to receive this year. It was received late July.

(m) When comparing 2019 to 2020, as well as to budget, the amount of Property & Other Taxes line item increase in 2020 is primarily due to the IDD Levy.

(n) The 2019 Misc. Other Increases in Fund Resources includes the payment to the Port for the New Day Fisheries building for \$100,000.

(o) "Retainage & Deposits Paid" is new to this report and comes from the Cash Basis reporting requirements. It includes recognition of cash refunded by the Port for these purposes.

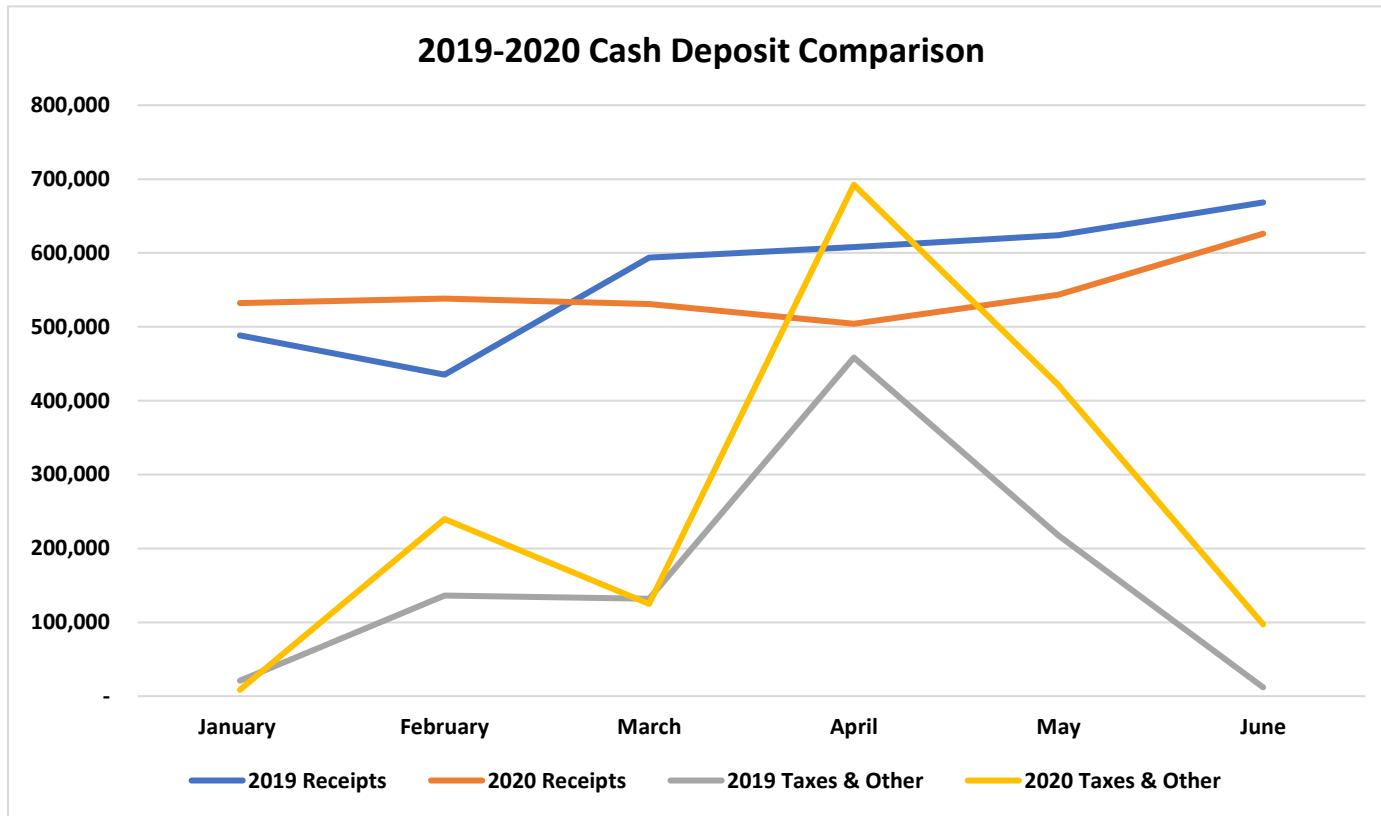
(p) "Taxes Remitted" is new to this report and comes from the Cash Basis reporting requirements. It is recognition of cash remitted to the State by the Port for Sales, Leasehold and Hotel/Motel Taxes. 2020 is larger than YTD 2019 because the payment for Q4 was paid in January 2020.

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

(r) These are the shared election costs for last November's elections. The direct costs were billed in 2019, December.

Comparison of YTD Cash Deposits to the Port - month to month - for 2019 and 2020

Month	2019 Receipts	2020 Receipts	Increase (Decrease)	2019 Taxes & Other	2020 Taxes & Other	Increase (Decrease)	Grand total 2019	Grand Total 2020	Increase (Decrease)
January	488,411	532,252	43,841	20,998	8,603	(12,395)	509,409	540,855	31,446
February	435,227	538,034	102,807	136,179	239,933	103,754	571,406	777,967	206,561
March	593,496	530,782	(62,714)	131,979	124,818	(7,161)	725,475	655,600	(69,875)
April	608,011	504,154	(103,857)	458,435	692,342	233,907	1,066,446	1,196,496	130,050
May	624,224	543,219	(81,005)	217,737	421,455	203,718	841,961	964,674	122,713
June	668,413	626,105	(42,308)	11,840	97,031	85,191	680,253	723,136	42,883
YTD totals	\$ 3,417,782	\$ 3,274,546	\$ (143,236)	\$ 977,168	\$ 1,584,182	\$ 607,014	\$ 4,394,950	\$ 4,858,728	\$ 463,778



Notes:

1. The spike in April for Non-Operating cash deposits is related to Property Tax payments that are due each April 30 and October 30.