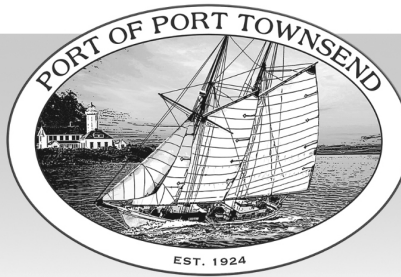


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**Port of Port Townsend
Public Workshop
Wednesday, September 14, 2022, 9:30 AM**

**To be held in person at the Point Hudson Pavilion Building, 355 Hudson Street, Port Townsend
and also online**

Via <https://zoom.us/> – or call (253) 215-8782, use Webinar ID: 862 6904 3651, Password: 911887

AGENDA

- Discuss Tax Levies for 2023 Budget with Jefferson County Assessor
- Start discussion of the potential issues, goals, and assumptions for the 2023 Budget development
- Executive Session Pursuant to RCW 42.30.110(b) To consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price;

This workshop is open to Commissioners, Management, other Port staff, Consultants and the public. It is not the opportunity to give public testimony, but if Commissioners request input from individuals in the audience, those people may speak. The principal purpose of the workshop is to allow Port staff and the Board of Commissioners to communicate with each other and/or Consultants, answer Commission questions, and get the Commission's opinions and input regarding the subject topic(s).

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 9/9/2022
TO: Port Commission
FROM: Abigail Berg, Director of Finance & Administration & Eron Berg, Executive Director
SUBJECT: 2023 Budget potential issues, goals, and assumptions

As we prepare the 2023 Operating and Capital budgets, there are many variables to consider that impact both revenues and expenses, such as the significant increase in inflation, to include gas and fuel prices, the large increase in CPI (reported at 10.1% in this region June to June) which guarantees increases in port operating, and capital costs, as they have already. The job market is unusual recently with low levels of unemployment, candidates seeking employment have the advantage in their search for employment they can be more selective and ask for more pay than what is being offered. The result is there are fewer job applicants in a market that is already very small and always proves a challenge, especially in this area.

OPERATING REVENUES:

1. The good news is we're moving forward on the Point Hudson Jetty replacement; however, this will impact operating revenues for Point Hudson. These revenues will be impacted not just as we roll into the fall and winter of 2022, but in early 2023 as the 1st phase is completed and in mid-September 2023 as the 2nd phase commences.
2. The Point Hudson revenues most impacted will be Moorage, however, the RV revenues will also be affected. These Point Hudson revenues could be offset by Back 40 parking, if a plan is approved to lease some parts of that area and/or implementing parking fees that aren't just for special events.
3. Recently the commission decided to cease the small boat yard discount as of March 31, 2022. As we move into the coming season for boat repairs, we can anticipate an increase in revenues for vessels stored while being worked on. This may mean we won't have a full yard but will allow the flexibility ideal for two up and coming capital projects – the Sims Gateway/Boatyard Project, and the Stormwater Treatment Project – while still allowing vessels to haul in and out.
4. At this juncture, there are no other significant operating revenues initiatives or changes we foresee.

OPERATING EXPENSES:

1. The Port has slowly been staffing up for the various initiatives important to our Commission, the community, and our customers. These include an added CSR position, Custodial position, and part-time Accounting position in 2022. We are proposing two additional (2) FTEs for primarily capital work in the Maintenance department, making the part-time

Accounting position full time and creating a new position of assistant harbormaster within our current moorage/yard FTE count.

2. As mentioned above, we can anticipate increased costs across the board for regular, and recurring operating costs, as well as capital costs. Much of this can be expected due to the increased cost of energy, construction materials, operating supplies, shipping materials, and travel costs for contractors. The port is also experiencing increases in costs for insurance and other services.

CAPITAL PROJECTS:

The draft updated capital program will be presented along with the 1st draft of the 2023 budget on September 28th.

EQUIPMENT/VEHICLES:

We plan to purchase two (2) more pick-up trucks to continue updating the Port fleet and are considering the purchase of two (2) additional gators with enclosed cabs, one (1) for Point Hudson Moorage staff, and one (1) for Boat Haven Moorage/Yard staff. In addition, we are researching the possibility of moving to card-based access system for showers, and laundry thereby eliminating the use of quarters which is time consuming to manage (and uses antiquated equipment that is increasingly challenging to maintain).

2023 Budget Assumptions

This coming year's budget is being developed following the COVID-19 pandemic and related governmental interventions with the backdrop of global uncertainty and a rapidly changing energy, climate, and economic environment. The pandemic resulted in an immediate drop in port revenue followed by a surprisingly strong boomerang of increased business and demand for port services. As we look to 2023, we begin with the longest moorage waitlists in port history, two years of unprecedented yard activity, at times so full as to limit lift access and the need to turn customers away, as well as continued 100% occupancy of leased properties. Our recommendation to the Commission for the 2023 budget is to continue to maintain a conservative approach, assume no significant changes in course but be alert for mid-year course adjustments and be prepared to move with alacrity, if needed.

Staff's primary focus for 2023 is to continue to build the projects that are in the queue for construction phase work while simultaneously planning, designing, permitting, and funding projects for 2024, 2025 and 2026. Your port staff team is known for saying, "That's a great idea, let's do it!". While we will undoubtedly continue with that motto, we do need to temper our appetite with the reality of managing an increased volume of projects, increased complexity in planning and permitting those projects and limited staff time. Our primary objectives for 2023 operations is to continue to improve customer service, improve processes that better serve our tenants and customers all while maintaining our steady path to a higher level of service across the board. In

both cases, it is our clear intent to spend more money, investing in capital projects to carry port facilities to future generations and in operations to improve the port's level of service. We remain laser focused on generational viability of these remarkable and unique port facilities that are essential to the culture of this place.

RECOMMENDATION

Please provide any feedback on the broad assumptions outlined as we prepare the 1st draft budget for presentation at the next meeting as well as any specific initiatives or projects that the commission might want to ensure is included at that time.