

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 9/10/2025

TO: Port Commission

FROM: Connie Anderson, Director of Finance & Administration & Eron Berg, Executive Director

SUBJECT: 2026 Budget initiatives, goals, and assumptions

As we prepare the 2026 Operating and Capital budgets, there are many variables to consider that impact both revenues and expenses. The June-to-June CPI for this region was reported with a 2.7% increase. Multi-year activity trends will be utilized to forecast revenues along with planned rate increases. It is anticipated that national economic policies will impact operational and capital costs. Rising costs results in a loss of purchasing power, reducing consumer spending. Based on the economic forecast, a conservative approach will be used in compiling the budget.

We are fortunate to report 100% staffing levels even as we have experienced turnover this year. Full staffing is essential to maintain operational service levels and push forward with planned capital project work. To fill open positions, our strategy has been to promote from within our ranks when possible. We have been fortunate to find quality external candidates when needed as well as seeing an increase in applicant pools.

OPERATING REVENUES:

1. Operating revenues for the first half of 2025 are reported to be approximately 10% above 2024 levels.
2. A 2.7% CPI increase is proposed for the Rates & Fees.
3. Tenant rate increases will be applied based on the adopted Port lease policy. Lease increases are calculated using the 2025 Annual CPI adjustment, which will be published in January 2026. Estimates will be prepared using 2%, based on review of Half1 CPI average for Seattle-Tacoma-Bellevue index. A vacancy rate will be applied to all Port locations.
4. Planned rate increases barely keep revenues in line with the increasing costs of running the Port.
5. Continued project work in the Boat Haven Yard is anticipated for West Boat Yard expansion project. 2027 construction is dependent on EDA funding. This project will have some impact on the large vessel storage area, but the impact should be less than the construction phase of the BH Stormwater project.

OPERATING EXPENSES:

1. Increased costs across the board are anticipated for regular and recurring operating costs, as well as capital costs due to continued inflation. Increased costs are anticipated in energy (9%), fuel

- (4-5%), utilities (10-13%), construction materials, operating supplies, shipping materials, and travel costs for contractors. In general, operational expenses will be estimated to increase by 3%.
2. The Teamster contract is in Year 2 of 3. The 2026 budget will include anticipated performance steps as well as a 2.7% COLA increase based on the June-to-June CPI index. The COLA is effective January 1, 2026.
 3. In addition, we anticipate 5%-8% increases in health insurance and other employee benefits.
 4. The insurance premiums for general liability/property, the MOLL (Marina Operators Legal Liability) insurance, airport liability and the underground fuel tanks at JCIA have decreased by \$9k for the 2025-2026 premium year. A 6-month policy has been secured for the underground storage tank to cover the tank removal period. The Port will need to acquire insurance for the above ground storage tank when the project is complete, and the tank is operational. The 2026 budget will reflect premiums similar to the 2025 budget.
 5. Overall, staffing is proposed to remain flat. A few adjustments are recommended to the current staffing allocations to provide service and Support where they are needed within the Port organization. Seasonal and temporary staff will be utilized for the records management project as well as to fill roles at the farm, moorage, docks and manning the pump out boat.
 - Eliminate CSR I and Yard Laborer positions
 - Replace with a Farm Laborer and a Maintenance Specialist – Stormwater/Sewer/Water
 6. Much work has been completed since the Port took over the Shorts Farm in the Fall of 2024. Staff anticipate a continued investment period that will include the need for farm help as well as small capital project work, including the remodel of the house. A new farm laborer position is proposed

for the 2026 budget. The farm laborer position is a hybrid, full time in the summer and part time in the winter.

CAPITAL PROJECTS:

The draft 5-year capital improvement program will be presented along with the 1st draft of the 2026 operating budget on September 24th.

Port staff will continue to focus on state and local grant funding opportunities to leverage available Port capital funds.

EQUIPMENT/VEHICLES:

1	\$200,000 - \$300,000	Dump truck (used); move old dump truck to the Farm
2	\$200,000	Excavator & Trailer
	<p><i>The dump truck, excavator and trailer will be used for operations as well as capital projects, mitigation efforts and vessel destruction.</i></p> <p><i>The equipment will provide a return on investment (ROI) with billable equipment hours, staff hours and earned mitigation credits.</i></p>	
3	\$40,000	Two used trucks or vans for maintenance to outfit w/supplies to be used while on the jobsite.
4	\$50,000	Remote Controlled Mower, primarily for use at the Farm and AirPort
5	\$65,000	Electronic Records Management System, such as Laserfiche
	<p><i>Possible WA State Archive grant available to use for technology, organization or digital imaging of records.</i></p>	
6	\$10,000	Planned Computer Replacement, Port wide
7	\$50,000	Misc. Port wide projects
8	\$1,000,000	Electric travel hoist – 2025-2026.
	<p><i>Total cost estimated at \$1.6m split between 2 years. This cost is offset by a \$1.3m grant with the remaining funds coming from the Port Wide Capital Reserve.</i></p>	
	\$1,615,000	2026 Capital Equipment Request

2026 INITIATIVES

1. Update and reestablish Liveaboard rules and regulations in the Boat Yard. (1st quarter)
2. Establish management contract for short-term rental in the newly remodeled PH Duplex. (2nd quarter)
3. Establish Port operated fueling center at JCIA. (3rd quarter)
4. A records management plan is under development to include archiving current records and the development of an electronic records management system. Moving to an electronic system would provide efficiency and accessibility for staff.

POLICY CONSIDERATIONS

- Debt Retirement
 - 2010 LTGO – Principal balance remaining \$1,630,000; 3.98% effective rate; final payment due December 2029
 - Debt retirement options
 - Retire January 2026, 4 years early, € \$240,000 savings in interest
 - Retire December 2026, 3 years early, € \$150,000 savings in interest
 - Retire December 2027, 2 years early, € \$75,000 savings in interest
 - Retire December 2028, 1 year early, € \$25,000 savings in interest
 - Retire December 2029, Maintain current repayment schedule; annual debt payments range from \$456k - \$484k. No interest savings.
- Create Property Tax Reserve
 - Pay scheduled General Obligation Debt
 - Retire outstanding General Obligation Debt
 - Subsidize public access to cover operational expenses that exceed generated revenues (Ramps, Herb Beck Marina, JCIA)
 - Fund small strategic projects that support economic development
 - Provide funding for capital projects that support the general Port infrastructure
 - Provide capital grant match
- Cash Reserves
 - Cash liquidity is sufficient to pay an average of three months of operating expenses (minimum cash balances)
 - Combine the current operational and emergency reserve fund and maintain a \$2 million dollar
- Capital Reserve
 - Staff continue to work with the facility/equipment reserve and replacement model that will assist with long range forecasting for capital projects and equipment. The model will help to identify cash reserve requirements to maintain Port facilities. Staff will continue reviewing the

model by location with the Commission this Fall with the intention of establishing a new capital reserve policy that can be incorporated into future budgets.

2026 BUDGET ASSUMPTIONS

Our recommendation to the Commission for the 2026 budget is to remain conservative, assuming no significant changes.

Staff's primary focus for 2026 is to continue work on projects that will generate economic development within our community as well as provide the Port with a return on investment for the time, energy and materials invested. Staff will continue to work on the projects that are in the queue for construction phase work while simultaneously planning, designing, permitting, and funding projects into the future. The goal is to find the right balance of managing an increased volume of projects, increased complexity in planning and permitting those projects, and limited staff time.

In addition, focus will remain on the continuity of operations, remaining mindful of limited time and resources available. The Port has been building a workplace culture of trust and value for employees. This is achieved by recognizing employees for the work that is accomplished and providing them with the tools that are needed to get the work done.

Our primary objectives remain the same for 2026 operations: 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 provide Port facilities for future generations and in operations to improve the Port's level of service. We remain focused on the 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 on September 24, to include any specific initiatives or projects that the commission might want to ensure are included at that time.