

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 11/13/2024
TO: Port Commission
FROM: Connie Anderson, Director of Finance & Administration & Eron Berg, Executive Director
SUBJECT: Continued Public Hearing – 2025 Operating and Capital Budget

ISSUE

Should the Commission approve Resolutions No. 827-24, 828-24, and 829-24 and formally adopt the 2025 Operating & Capital Budget, 2025 Rates & Fees, General Property Tax and IDD tax levy?

Continued Public Hearing – 2025 Operating and Capital Budget

Note: Page numbers have been updated in this memo to correspond to the November 13 agenda materials. Any changes to the 2025 budget are shown in orange.

A continued public hearing is being held by the legislative body on the proposed budget and the revenue sources to support the operating and capital expenditures for the coming year. Opportunity is given to receive public testimony regarding the budget and property tax resolutions.

2025 Rates and Fees

The Port Rates have been included under separate cover (pg. 32). After staff review, additional changes and formatting have been incorporated into the 4th Draft of the rate cards. The rate cards have been reorganized to group similar fees and separate permanent from transient rates. Changes have been noted in **purple** on the rate cards.

Property Tax Levy (General Res. No. 827-24 and IDD Res. No. 828-24)

A continued public hearing is being held by the commission on revenue sources for the coming year's budget which includes consideration for increasing the property tax revenues (pgs. 102-103 & 106-109).

General property tax levies are permitted up to the maximum 1% allowed increase. Washington State law provides for a 1% increase each year or an election to bank that percentage for consideration in future years.

Jefferson County voters authorized the Port's 2nd IDD levy in November of 2019. The total permissible levy amount is \$16,902,767. Of this amount, \$10,346,210 has been requested to date. It has been recommended to levy the same amount in 2025 as has been levied for the prior three years.

Total budgeted property tax requested, including new construction, state-assessed property, and allowable refunds:

General Levy: \$1,150,000
IDD Levy: \$2,634,389

The levy request must be received by the county legislative authority on or before November 30 of the year preceding the year in which the levy amounts are to be collected.

2025 Operating and Capital Budget (Res. No. 829-24)

The Port is “one fund” with all operational departments rolling up into one unit. The Commission is presented with Resolution No. 829-24 including Exhibit A, Sources and Uses of Cash, 2025 Budget with Comparison to Prior Years. (pgs. 50-52).

Consolidated Sources & Uses of Cash 2025 Budget

Note: The Boat Haven Moorage (pg. 67) salary & payroll taxes have been reduced and the Point Hudson (pg. 71) salary and payroll taxes have been increased to reflect the additional use of Seasonal help to cover expanded summer hours as well as dock attendance appropriately in each Port location.

The first half of the 2025 Consolidated Budget outlines the Port’s *Operational Budget*. Operational revenues were calculated with an approximate 3.8% increase to the Port’s rates & fees as well as an estimated 4% tenant rate increase. Revenue streams include the return to normal operations at Point Hudson, expanded paid parking, new cruise ship passenger fees as well as proposed lease opportunities at the Short Farm. Operational expenses reflect the continued increase in costs due to record level inflation over the past few years. Staffing levels remain the same as in 2024. Seasonal and temporary staff will be utilized to fill roles at the farm, moorage, docks as well as staffing the pump out boat during peak season. A 3.8% cost-of-living adjustment and specific position and grade adjustments have been included. The 2025 budget projects the net operating income to be in line with the 2024 forecast at \$644k.

The second half of the 2025 Consolidated Budget outlines the Ports *Other Increases & Decreases in Fund Resources*. The other increases come from property taxes, interest earned, and the collection of taxes. The largest anticipated increase for 2025 is in grant receipts; dollars that will be received to cover capital expenditures. The other decreases are comprised of debt payments (LTGO and LOC), remittance of collected taxes as well as the estimated capital project program expense of \$16m.

Departmental Operating Budget - Revenues & Expenditures

Departmental Operating Budgets (pgs. 66-84) provide an overview of each operational unit of the Port. Revenues specific to each location along with budgeted expenses are listed. Included in each area are the relative debt and administrative overhead expenses. The debt is allocated based on specific project work that improved the specific Port location. Administrative overhead is distributed based on a weighted revenue average. Including debt and overhead expenses provides a transparent picture of the true cost of running the Port. Finally, the Administration budget (pg. 84) is included.

Organizational Chart

The organizational chart (pg. 57) outlines the hierarchical structure of Port staff. A few changes from 2024 are recommended. First, the Safety and Training Coordinator position has been eliminated and the role has been combined with the Environmental Specialist. **The Environmental Specialist position**

will report to the Executive Director. Second, a lead position has been identified for the accounting department. This change will come from internal reorganization of the accounting team and their duties.

Capital Budget

The updated capital program (pgs. 85-101) is included in the 2025 Budget document. The capital budget includes project descriptions as well as estimated project costs for 2025 to 2029 and the anticipated funding of those projects. Funding sources for the upcoming year have been identified for most projects, but funding sources for future years remain unsecured. Port staff are pushing forward diligently and consistently with obtaining future funding dollars.

Equipment/Vehicles

The 2025 budget includes resources to update the Port fleet and other miscellaneous equipment and hardware replacement.

1. \$50,000 – 2 Gators w-John Deer cabs for the Yard; current Gator will be transferred to the Short Farm
2. \$50,000 – Misc. equipment and attachments for the skid steer
3. \$50,000 - Planned IT hardware and computer replacement including new servers. Server size and capacity will be determined after the financial system is migrated.
4. \$1,000,000 - 300T variable width Travelift™ for the estimated remaining payments, anticipated delivery May 2025. (Included in the 5-year CIP)
5. \$50,000– Miscellaneous port wide projects and equipment.

5-year Projected Cash Flow

Note: The 5-Year Projected Cash Flow has been moved to the front of the 2025 budget document, immediately following the Consolidated Sources & Uses of Cash in the 2025 Budget. This change was made to better show the Port's cash reserves and cash flow as it relates to the 2025 Operating and Capital Budget. Additionally, the IDD tax levy was increased to \$1.3m from \$552k in 2027. The 3rd draft of the 2025 Budget underreported the full amount of the IDD tax levy.

Cash flow (pg.64-65) for the next five (5) years has been projected beginning with operational revenue and expenditures, then the additions of tax revenues and other increases in fund resources as well as the reductions of capital projects and bond payments. The projection was based on the 2024 forecasted ending cash balance, then the planned operational and capital budgets considered through 2029. Capital expenditures are based on secured funding for capital projects. The 2029 projected ending cash balance is \$16m. Unsecured project funding over the 5-year period is \$105m. Port staff continue to push forward to identify funding sources to bridge this gap.

Debt and Early Debt Payoff Option

The Port has two Limited Tax General Obligation (LTGO) bonds (pg. 111). Both are close to maturity, with one retiring in December 2025 and the second retiring in 2029. The current outstanding principal and interest balance is \$2,916,500. Beginning in 2026, the Port's annual payment will be approximately \$450k per year until retired in 2029. Staff proposes early retirement of the 2010 LTGO

bond using the annual general property tax levy (pg. 112). Options to retire the debt will be brought for discussion in 2025 for preparation of the 2026 budget.

In addition, the Port has obtained a Line of Credit that is used as a bridge between project expenditure payments, grant reimbursements and reconciliations with the IDD Levy Reserve, as applicable. The Line of Credit is intended to be used for continued draws for capital projects in 2025. Debt redemptions are due in March and September until March 1, 2027, when the balance is due in full. The 2025 budget includes semi-annual payments on the current balance of \$3,247,216.

DISCUSSION

As instructed by the Port Commission, staff have prepared a budget that supports economic vitality while increasing or at least maintaining a baseline net operating income. This effort has been achieved through a balanced operational budget and a robust capital program that represents the Port's investment in Port infrastructure for future generations.

FISCAL IMPACT

When adopted, this will establish the budget for 2025.

RECOMMENDATION

Close the Public Hearing and begin deliberating on the 2025 Operating and Capital Budget and the General and IDD property tax levies. Following deliberation, move to adopt Resolutions No. 827-24, 828-24 and 829-24 regarding the 2025 Operating and Capital Budget and the General and IDD property tax levies.