

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 8/14/2024  
**TO:** Port Commission  
**FROM:** Connie Anderson, Director of Finance & Administration & Eron Berg, Executive Director  
**SUBJECT:** 2025 Budget potential issues, goals, and assumptions

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As we prepare the 2025 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 at a 3.8% increase. The economic environment this year is much different than a year ago. The economic forecast seems a little more uncertain. But even though there are indicators of possible change, we are still feeling the effects of increased costs related to operating and projects costs. We are fortunate to report 100% staffing levels even as we have experienced turnover this year. When possible, our strategy has been to promote from within our ranks and hire externally for entry level positions. And we have been fortunate to find quality candidates, even if the applicant pools are smaller than in years past.

### OPERATING REVENUES:

1. Operating revenues for the first half of 2024 have remained flat in comparison to 2023.
2. A 3.8% CPI increase is proposed for the Rates & Fees. This rate increase keeps revenues in line with the increasing costs the Port is experiencing.
3. Point Hudson returns to normal operations following the completion of jetty work.
4. Anticipate project construction in the Boat Haven Yard for Yard expansion and stormwater treatment projects in summer 2025.
5. We have full occupancy in our Port facilities. Any tenant rate increases will be based on the 2024 Annual CPI adjustment, which will be published in January 2025. Estimates have been prepared using 4%, based on review of Half1 CPI average for Seattle-Tacoma-Bellevue index.
6. At this juncture, there are no other significant operating revenues initiatives or changes we foresee.

### OPERATING EXPENSES:

1. Staffing is planned to remain flat for 2025. Seasonal and temporary staff will be utilized to fill roles at the farm, moorage, docks and manning the pump out boat.
2. Any other organizational changes or work realignments will occur within the current staffing levels. Allocated salary and benefit amounts will be reviewed and updated.
3. It is anticipated that a 3-year union contract will be ready for ratification in September. The proposed changes will be incorporated into the 2025 budget estimates. Once ratified, staff COLA and step increases will be estimated.
4. A new IT contract is being considered that would create a local partnership.
5. Staff is working with a 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 plans to preview the model with the Commission this Fall and establish a new reserve policy that can be incorporated into the 2025 budget.

6. The Shorts Farm will be another focus for 2025. An operational plan is under development. Port staff is on site at the farm, working and learning what needs to be done. Staff anticipates this next year as an investment period that will include the need for temporary farm help as well as the need for small capital projects.
7. The financial system (Sage) requires an upgrade, and the plan is to move to a host-based system. This will increase the annual cost, but will include network storage, 24/7 support, and software upgrades automatically. Finance would like to migrate to the host-based financial system this Fall.
8. Increased costs across the board are anticipated for regular, and recurring operating costs, as well as capital costs due to continued inflation and uncertainty in the market. Increased costs are anticipated in energy, fuel, construction materials, operating supplies, shipping materials, and travel costs for contractors
9. In addition, we anticipate increases in health insurance and other employee benefits. The general liability/property insurance has increased another \$40,000 this year just recently, the MOLL (Marina Operators Legal Liability) insurance increased by \$6,600 and we are waiting to hear if we will have coverage for the underground fuel tanks at JCIA. The current insurance expires on September 1<sup>st</sup> and Enduris has recommended an alternate provider to whom we have sent our application of insurance. The premium cost is unknown at this time if approved. Known increases for 2024-2025 is almost \$50,000. An increase will also be factored in for renewal in September 2025.

### **CAPITAL PROJECTS:**

The draft 5-year capital improvement program will be presented along with the 1<sup>st</sup> draft of the 2024 operating budget on September 27<sup>th</sup>.

### **EQUIPMENT/VEHICLES:**

1. \$200,000 - Vac truck (used) to be used with the Stormwater project as well as use at other Port locations
2. \$25,000 - Gator w-John Deer cab for the Yard
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.

### **2025 Budget Assumptions**

Our recommendation to the Commission for the 2025 budget is to continue to maintain a conservative approach, assume no significant changes in course but be alert for mid-year course adjustments if needed.

Staff's primary focus for 2025 is to continue to build 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 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 2025 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 1<sup>st</sup> draft budget for presentation, to include any specific initiatives or projects that the commission might want to ensure are included at that time.