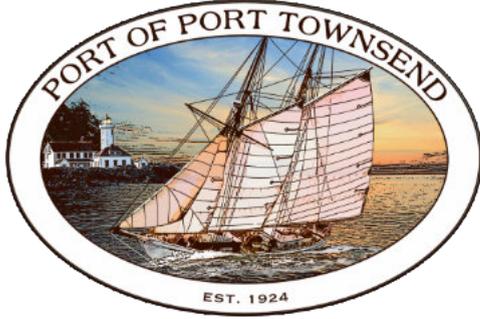


PORT REPORT



ECONOMIC VITALITY | COMMUNITY PARTNERSHIPS
OPENNESS & ACCOUNTABILITY | STEWARDSHIP

Winter 2023 NEWSLETTER *from the* PORT OF PORT TOWNSEND



*Understanding
Port finances*

One day in early 2023, the sun will rise over a rebuilt north jetty at the mouth of Point Hudson Marina. Later, the south jetty will also be rebuilt. That project tops the list of facility upgrades in the 2023 budget.

INSIDE: Port to erase debt early: 2 Port finances 101: 3 Where money goes: 6

From the Executive Director

Port on track to erase debt by 2027

Not too many years ago, the financial health of the Port of Port Townsend was a topic of great concern for many in the community. In fact a website with a multi-part plan and recommendations was made to encourage the Port to move in a different direction.



By Eron Berg
Port Executive
Director

lines of revenue which both support additional expenses and reinvestments.

In thinking about long-term viability, I believe the Port should:

(1) Maintain what it already owns

(2) Invest in projects that support existing operations, and

(3) Invest in projects that diversify both the Port's revenue and impact on Jefferson County's economy.

As I write this column today, it is my belief that the Port's finances are in good shape and will improve in the coming years.

Voter approval of the Industrial Development District levy in 2019 was a huge boost to the Port's capability to shore up its core infrastructure. That IDD levy will generate about \$16.9 million in revenue which the Port has and will use to match state and federal funds to deliver key projects intended to maintain the Port's core functions and key properties for future generations.

The boat yard is budgeted to get the largest investment as we seek to add additional space for blocking boats, improve the stormwater treatment quality, replace aging equipment, and ensure that this cornerstone of Jefferson County culture - the working waterfront itself - remains an economic engine for the future.

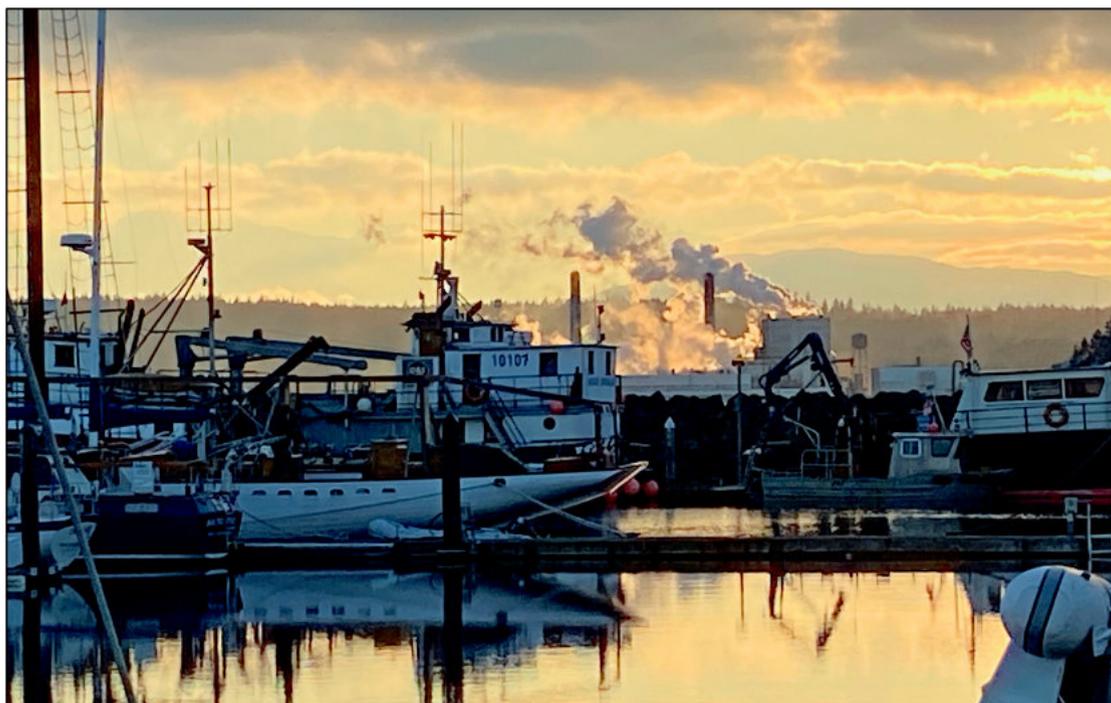
Recent years have also seen increases in the Port's core

On our current path, the IDD levy's last year of collection will be 2027, which coincides with our plan to retire the Port's existing debt two years early (in 2027 instead of 2029). Servicing the debt costs the Port about \$1 million per year, which means that beginning in 2028 the Port Commission will have \$1 million per year to reinvest in the Port.

With the exception of revenue bonds, where there is new revenue adequate to support the bond, I will continue to advocate operating the Port without the use of long-term debt. We should be able to pay for what we use without leaving a legacy of debt to future generations.

Port staff and the Port Commission spend much time and energy thinking about long-

[»» Continued on page 7](#)



A top priority for the Port of Port Townsend is to maintain and rebuild the facilities that sustain dozens of companies and hundreds of private jobs. Taken together, Port-based private jobs exceed the job base of even Port Townsend Paper, in the background.

Commissioner's Corner

All benefit when Port, marine trades, community work together

Small businesses & community

Small businesses are the backbone of our rural county. These businesses invest profits back into our communities. They volunteer in our community organizations. They become our elected representatives. These businesses earn local, national and international recognition, and multi-generational viability. Our children learn meaningful work, relationships and connection with our culture and geography. Many leave to explore other places, and many return to build upon the values, connections and stability they experience here.

All three of our port commissioners and our children are in

the marine trades as small business owners and employees.

Jefferson County Marine Trades Economic Impact Study

The 2018 Jefferson County Marine Trades Economic Impact Study was conducted by Martin Associates, led by the Port Townsend Marine Trades Association and funded through generous donations of our local businesses and community. This study demonstrated local and regional economic impacts supported by marine trades activity in Jefferson County:



By Pam Petranek
District 1
Commission
Chair

- Representing 2,243 jobs.

- Supporting 20 percent of our workforce, particularly of jobs that pay 27 percent more than the county average.

- A robust and reliable revenue stream contributing \$336.7 million of economic activity in Jefferson County.

- Generating tax revenues of \$6.8 million to Washington State and \$5.8 million to Jefferson County. For every Jefferson County property tax dollar paid to the Port of Port Townsend, the return is

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Port finances 101: What 2023 budget tells us

When the Port Commission recently adopted the 2023 budget, officials studied dozens of pages of background information and detailed reports prepared by Port Finance Director Abigail Berg and Port Executive Director Eron Berg.

Fortunately, all three elected commissioners are familiar with financial reports. They are or have been business people in the community: Pete Hanke owns Puget Sound Express, Pam Petranek co-owns Cape Cleare Salmon and Carol Hasse, until recently, owned Port Townsend Sails.

The numbers can be daunting, but approving an annual budget is among the most important duties of the commissioners since the budget sets the work plan for the coming year.

Below are some of the most important numbers drawn from the many pages they studied, with details to follow in this edition of the Port Report.

Operations Income & Expense

The Port is unique among local government entities in that all of the funds it uses for its own operations are earned on a business-like basis from customers who pay market-rate fees. The Port earns money from boat moorage, boat haulouts and upland storage, business leases and rented space at Jefferson County International Airport.

In 2023, the Port expects to earn \$7.48 million from these sources – Operating Revenues. This would be a 4.0 percent increase over 2022 year-to-date (as of August)

plus the remaining budget for 2022. The increase comes from raising Port rates as well as an expected increase in activity.

The Port's projected Operating Expenditures – what's needed to pay for operations - is \$6.49 million in 2023. Port Operating Expenditures are mostly personnel and day-to-day maintenance. It excludes the expense of facility upgrades and major maintenance, which are separated into the Port's Capital Budget.

But Port Operations alone, from the Operating Revenue of \$7.48 million and Operating Expenditures of \$6.49 million, are expected to generate an excess of almost \$1 million. (This is what a private business might call a "net profit." The Port calls it Net Operating Income.)

Total Income

The Operations figures above tell only half the story of Port finances – in fact, just less than half.

In addition to its customer-generated income, the Port also collects a portion of Jefferson County residents' property taxes and more recently millions in construction grants from State or Federal sources. (Some of those grants were pandemic-related and may not recur.) If needed, the Port can also dip into its substantial cash reserves to fund projects. In fact, it is doing just that in the 2023 budget.

What's the big picture of Total Revenues and Expenditures?

The Port expects to generate another \$9.14 million in



The Port owns and operates four Travelifts that carry vessels of up to 300 tons. In 2022 the Port bought a new 70-ton lift and did extensive maintenance work on the 300-ton lift. The Port earns money from haulouts and on-the-ground storage of boats.

2023 from these other sources toward its projected total incoming cash of \$16.6 million for 2023. That means the Operating Revenue described above (moorage, leases, etc.) is 45 percent of the Port's total incoming cash. The other 55 percent comes from grants, taxes and other sources.

The largest source of additional funds are one-time capital grants for specific facility projects, expected to provide \$4.46 million in 2023. Much of that is earmarked for big facility projects such as Phase II of the rebuild of the Point Hudson jetties, major improvements to the Boat Haven stormwater pollution control system and enhancements to Jefferson County International Airport.

The second largest source is property taxes, of which there are two different levies:

1. The general property tax is the Port's share of the property taxes paid annually by all Jefferson County property owners. In 2023, the Port expects to collect \$1.1 million in general property taxes. This includes an across-the-board 1 percent increase plus an increase of 1.6 percent expected from the value of new construction in Jefferson County.

2. In 2019, county voters approved another property tax with its proceeds earmarked for the rebuild or improvement of the Port's facilities needed to sustain and grow jobs. Called the Industrial Development District levy, this will generate \$2.63 million in 2023.

With those two sources taken together, the Port will receive \$3.73 million from property taxes in 2023. The Port's total is 5.57 percent of all property

taxes collected in this county (2022 figures). In comparison, Jefferson County collects 13 percent of all property taxes. The fire districts collect 11.5 percent. Local schools collect 18.7 percent. The State collects 29.1 percent to distribute to all schools.

Total Expenditures

As noted above, the total of all funds coming into the Port in 2023 is expected to be \$16.6 million. That includes funds from operations and funds from other sources like grants and taxes.

On the spending side, however, the total for 2023 is expected to be \$18.35 million. That includes the Operating Expenditures of \$6.49 million, together with over \$10 million in planned facility upgrades and repairs, such as the rebuild of the Point Hudson jetties. It also includes payments on long-term debt of just over \$1 million.

The difference between Total Income and Total Expense is a gap, or deficit, of \$1.73 million. The money to cover that gap, according to Finance Director Abigail Berg and the approved budget, will come from the Port's substantial reserves. The year-end estimate of the reserves for 2022 is \$7.2 million.

"This is a busy year for capital projects like the jetties," said Executive Director Eron Berg. "Reserves are like a piggy bank. You fill it up, and then there's a time to spend some of it. It's not an accident. It's the plan. You save, save, save – and then you spend."

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Finances:

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Even after the Port uses \$1.73 million in reserves, it is expected to end 2023 with reserves of \$5.7 million.

What the money is spent on

From a spending point of view, the Port's finances can be put into three categories:

1. What's spent on Port operations (employees, day-to-day business operations, insurance, utilities, minor maintenance, etc.). This is the \$6.49 million detailed above.

2. What's spent to service the Port's long-term debt. In past years, the Port went into debt to rebuild the Point Hudson Marina, make improvements to the Boat Haven haulout and rebuild some other docks. The Port's practice has been to dedicate its general property tax revenue, about \$1.1 million in 2023, towards its debt obligations. In fact the Port is paying down its debt faster than it needs to and could have it all paid off two years early - in 2027 instead of 2029.

3. What's spent to rebuild or improve facilities as part of the Port's Capital Improvement Plan. At just over \$10 million, this budget dwarfs the other expenditures for 2023.

It's a long list, but here are the top five:

- Point Hudson Marina south jetty: \$6 million
- Airport connector taxiway: \$646,000
- Boat Yard stormwater pollution controls: \$450,000
- Point Hudson buildings upgrade & roofing: \$450,000
- Boat Haven Marina break-water repair: \$400,000

Customers fund Port operations

The Port of Port Townsend expects to collect \$16.6 million in 2023 from all sources for its operations and facility projects (called capital projects).

Of that \$16.6 million, 45 percent -- \$7.48 million -- is generated from customers paying for Port services or the use of Port facilities. These customers are boaters paying for moorage at the Port's three marinas, or businesses that lease land from the Port, or boaters who have their vessels hauled out at the Port, or pilots who lease land for hangars at the airport.

The remainder -- \$9.14 million -- comes from many other sources. The largest single source is federal and state grant support: \$4.46 million. General property taxes will provide \$1.1 million, and the voter-adopted Industrial Development District bond, also funded through property taxes, will provide \$2.63 million.

The Port is unique among local government entities in that 100 percent of Port operations -- everything except for facility upgrades/maintenance, and debt service -- is funded by the money the Port generates from its customers. In fact, the customer-generated revenue of \$7.48 million exceeds the Port's operating costs of \$6.49 million, and the excess is set aside to help with facility maintenance/upgrades and to fund port reserves towards long term sustainability.

The Port is also unique in that, by Commission policy, it devotes all of the general property tax levy to paying down the Port's long term debt. In the 2023 budget, for example, that means that property tax collections of \$1.1 million all go to paying the principal and interest on debt. The Port's discipline in paying off debt likely means that the Port's long term debt will be fully paid off two years early, in 2027 instead of 2029. If so, that

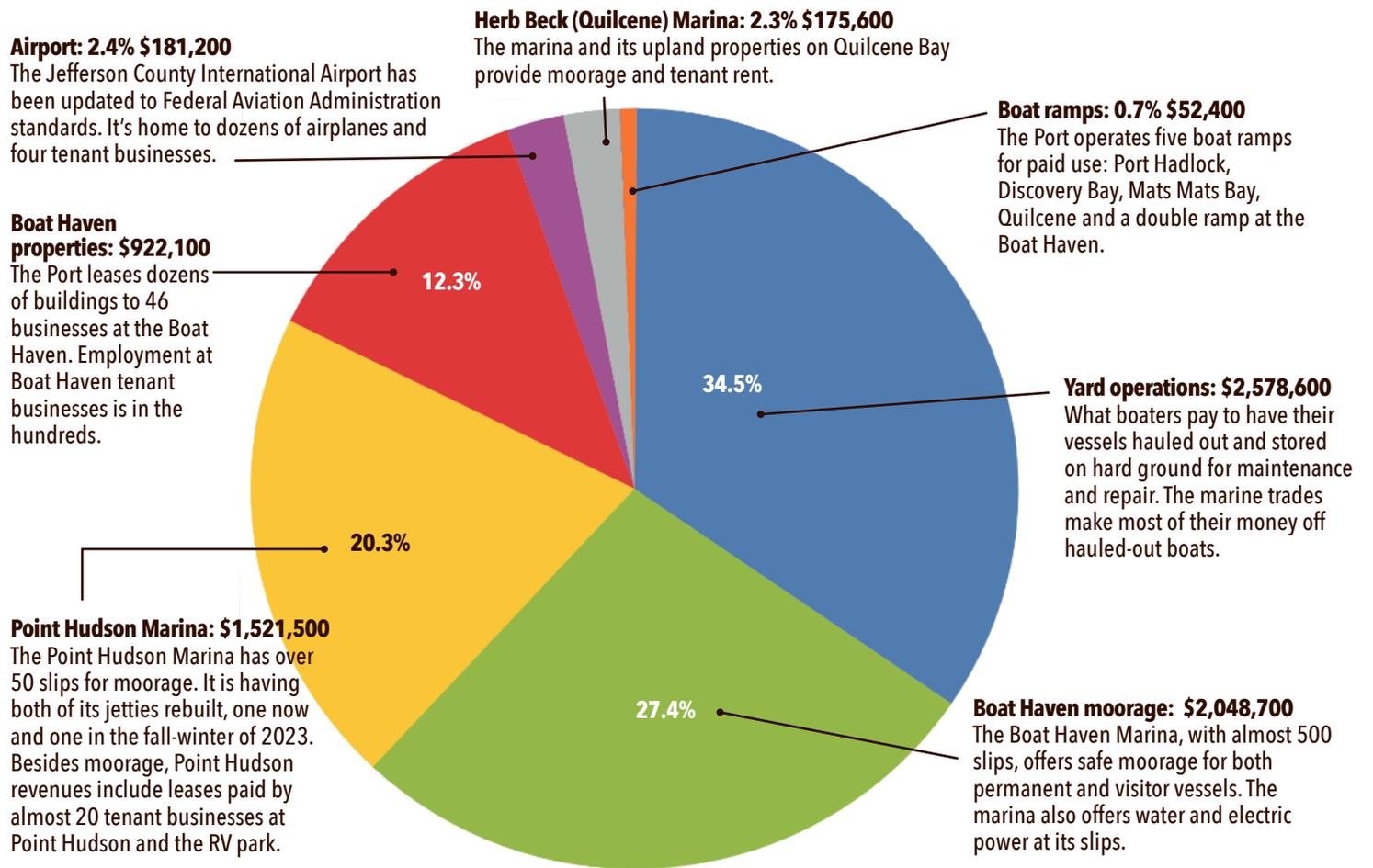
means the Port Commission can use future general property tax support for other needs.

Customer-Generated Revenue

A look at just the Port revenues that come from customer fees and leases shows which Port-owned facilities produce the most cash-flow for the Port. The total of customer-generated revenues predicted in the 2023 budget is \$7.48 million.

That would be a 9.7 percent increase over what the Port generated from customers in 2022. The increase includes a 5 percent increase in most Port rates, except for a 3 percent increase for permanent moorage tenants at Boat Haven.

The chart below shows only the \$7.48 million in revenue generated by Port customers.



Where the Port's money goes

In the 2023 budget, the Port expects to spend \$18.35 million on its operations and the facilities it maintains. By far, the largest single expense category is facility upgrade and repair, called Capital Expenses. That constitutes \$10.1 million, or 55 percent of the total.

Those capital dollars will be spent on a wide variety of projects throughout Jefferson County, including the new jetties at Point Hudson, runway improvements at Jefferson County International Airport, improvements at the Herb Beck Marina in Quilcene and many other projects.

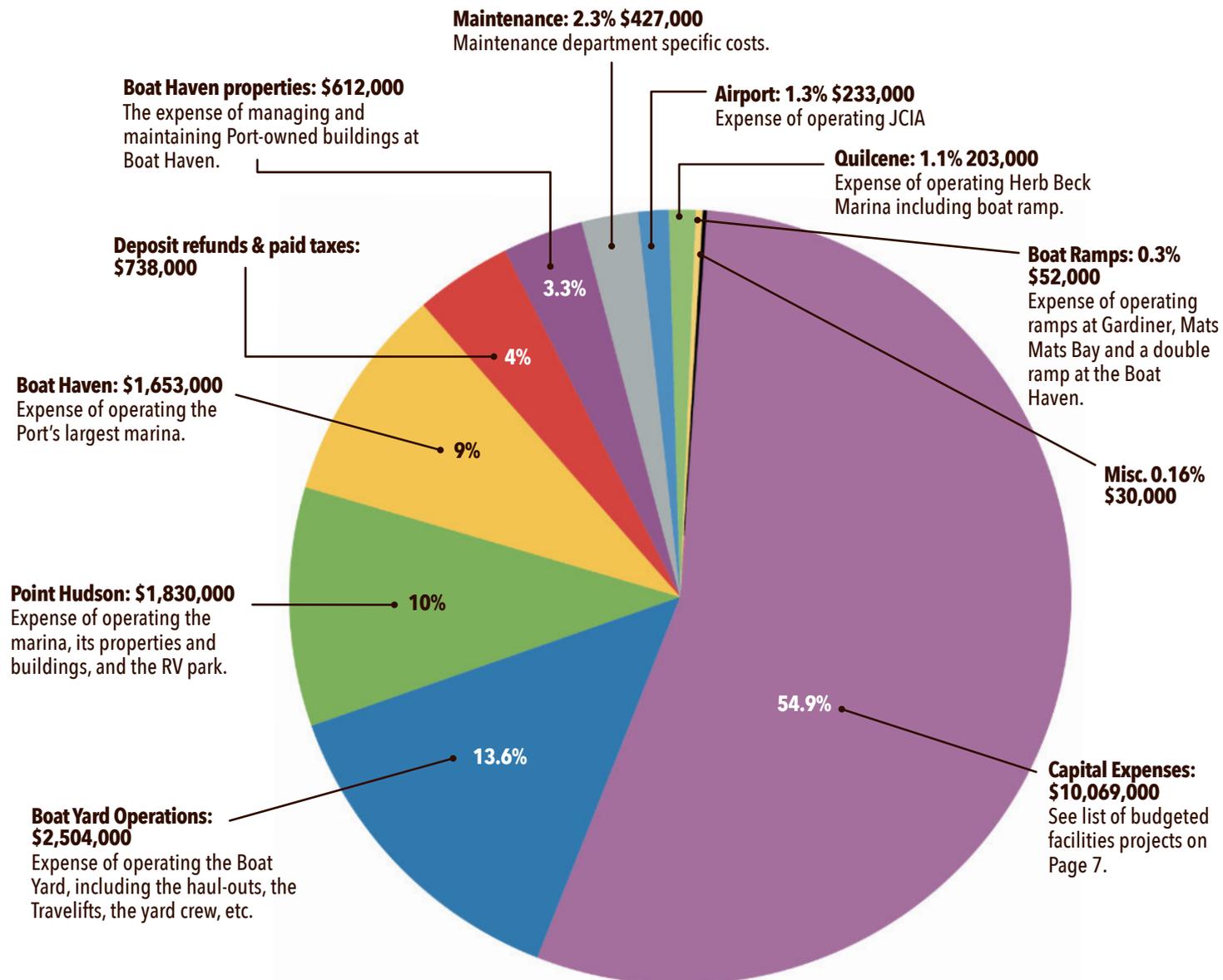
The day-to-day cost of running the Port, called Operations Expense, is estimated at \$6.49 million in the 2023 budget, a 6.8 percent increase over what is projected to have been spent in 2022.

Most of the increase is due to an increase in staffing prompted by the heavy load of capital improvement projects, expanding the maintenance crew and a cost of living increase of 5 percent for the entire staff. To gear up its facility improvement and repair plans, the Port has already created an additional five jobs in 2022 and will

add two more in 2023, said Executive Director Eron Berg.

General and Administrative expenses, which describes the overall administrative expense of operating the Port, were set for \$1.84 million in the 2023 budget, a 1 percent increase over 2022 but 28 percent of all operating expense.

The chart below shows how the Port expects to spend the \$18.35 million now part of its 2023 spending plan.



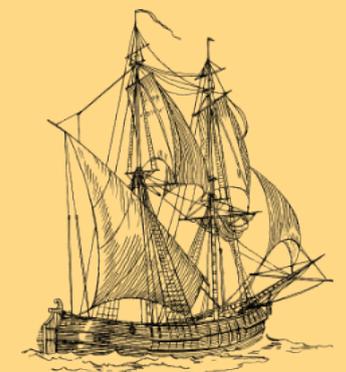
Did you know...

The Port of Port Townsend was created on Nov. 4, 1924 through a public vote. There were 690 in favor and 414 opposed.

In 1911, the Washington State Legislature authorized the creation of public port districts by passing the Port District Act. One motivation was to stave off the privatization of marine terminals and busy waterways.

By law, every public port in Washington State is named for the town that is home to the county seat in each county. That's why the Port of Port Townsend also operates an airport near Chimacum and a marina near Quilcene.

When the Port of Port Townsend approved its first comprehensive scheme in 1926, it included plans for an export dock, a ferry dock, a dock in Quilcene, a boat haven and cold storage facility for farmers. Public ports are not just about boats, but to support any economic sector.



Point Hudson jetties top Port's facilities projects

Here's one way to summarize the mission of the Port of Port Townsend: To build and maintain facilities needed by private firms to operate in the realms of boats, airplanes and agriculture. That's why the Port maintains marinas, boatyards, an airport and may one day do a cold storage facility for farmers.

That's also why, looking at the Port's list of facility projects (called capital improvements) for 2023, significant investments are made to keep marinas and runways in useable condition. The total the Port expects to spend in 2023 on what it calls its Capital Improvement Program is just over \$10 million. While this list shows estimated costs for 2023, many projects will continue on in 2024 and future years. The 2023 budget is a snapshot of that portion of work planned for one year. For example, the Point Hudson jetty rebuild is expected to continue in the fall of 2023 and early spring of 2024 with the rebuild of the south jetty.

Here are the capital improvements approved by the Port Commissioners as part of the 2023 budget, listed in order of estimated cost:

1. Point Hudson jetty rebuild, south jetty: \$6,000,000
2. Airport connector taxiway: \$646,000
3. Boat Yard stormwater treatment upgrade: \$450,000
4. Point Hudson building restoration: \$450,000
5. Boat Haven Marina breakwater repair: \$400,000
6. Dock upgrades, all marinas: \$250,000
7. Boat Yard expansion, Sims Way: \$200,000
8. Point Hudson RV Park upgrade: \$200,000

9. Vehicle & equipment purchase: \$175,000
10. Piling replacement, all marinas: \$150,000
11. Moorage office upgrade: \$150,000
12. Airport terminal: \$133,000
13. Design of new Boat Haven linear dock: \$125,000
14. Planning & design of rebuild of Gardiner launch ramp: \$110,000
15. Planning & design of airport fuel system upgrade: \$100,000
16. Clean up assessment of San Juan property: \$100,000
17. Misc small projects: \$100,000
18. Study southwest Boat Expansion: \$80,000
19. Port-wide yard/parking/RV resurfacing: \$75,000
20. Sperry building maintenance: \$50,000
21. Mats Mats ramp facilities rehabilitation: \$30,000
22. Airport stormwater improvement: \$25,000
23. Boat Haven building preservation: \$25,000
24. Planning Boat Haven Marina dredging: \$25,000
25. Herb Beck (Quilcene) Marina ramp upgrade: \$25,000
26. Planning & design for Quilcene marina dredging: \$20,000

Berg: Future impact

>> Continued from page 2

term viability of the Port. In making decisions of the day, we not only apply the triple bottom line, but also clearly think about future impacts of those decisions with a focus on ensuring that what we cherish is still here to be enjoyed and cherished in the future.

As always, I welcome your comments, thoughts and questions about the Port.

You can email me at any time at: eron@portofpt.com.

You can call me at (360) 316-6013.

Petranek: Port as hub

>> Continued from page 2

multiplied five times back to our county via marine trades-related tax payments.

infrastructure on existing Port-owned properties to the west towards the bluff and to the north along Sims Way.

Industrial Development District Levy

The Port's first Industrial Development District levy in the 1960s helped repair basic infrastructure. In 2019, 60 years later, the second IDD levy was passed by Jefferson County voters. A potential third and final IDD levy period, if pursued, would again require voter approval.

A successful partnership

The success of our port, marine trades and community working together leverages and multiplies local funding with state and federal grants for our Port's infrastructure needs. For decades, our working waterfront has developed an economic and cultural hub for Jefferson County and Washington State. Emphasis should continue to be placed on preserving the heritage, culture and future of our dynamic marine trades industry.

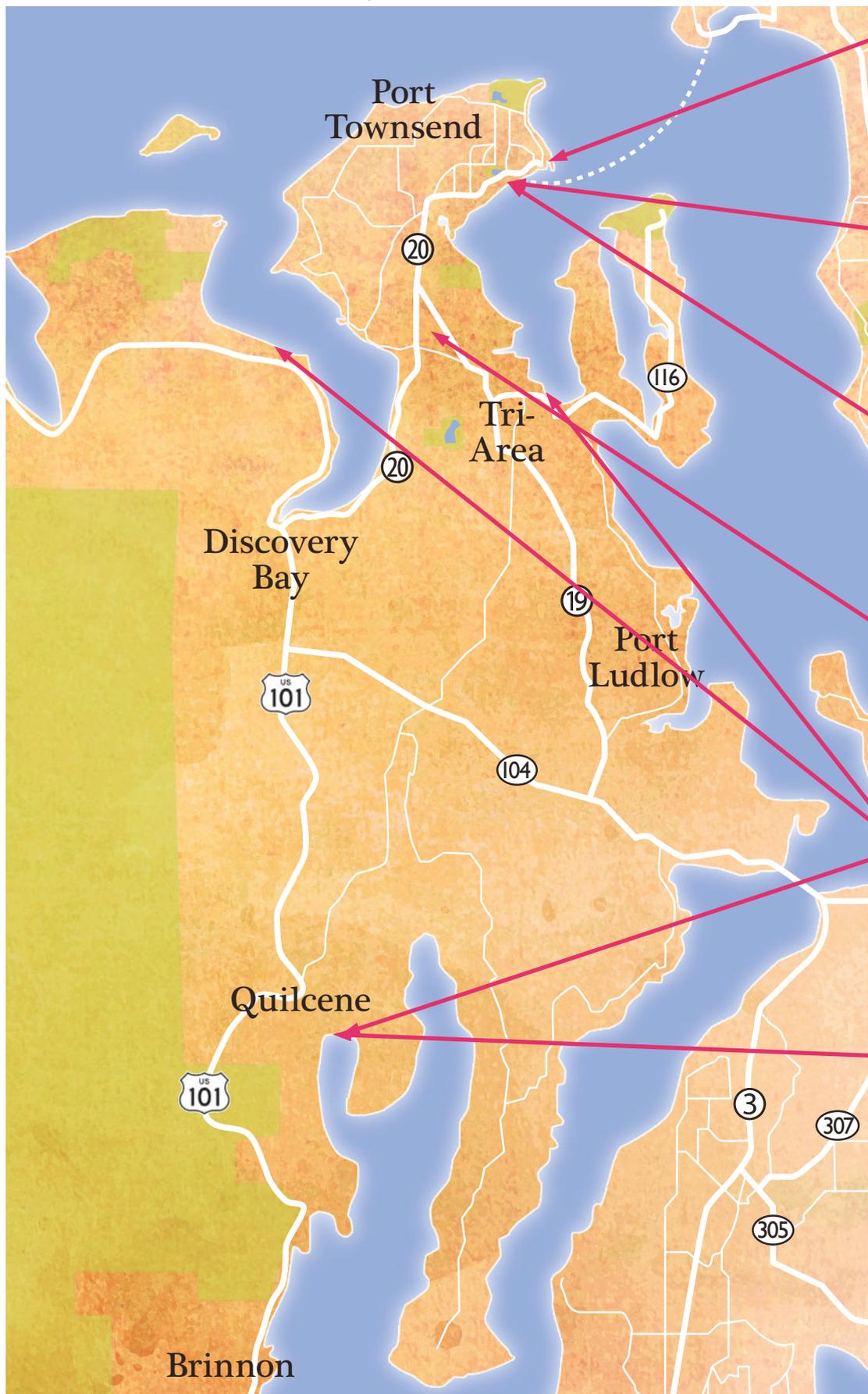
The IDD gives our Port the tools to repair and replace significant portions of critical public infrastructure. Some of these projects include the breakwater and docks at Point Hudson, Boat Haven and Quilcene, along with boat ramps at Gardiner, Mats Mats Bay and Quilcene.

Want to learn more? See the Marine Trades Economic Impact Study at www.ptmta.org.

Throughout the past three years, our boat yard has hauled out record numbers of boats to be worked on, with businesses expanding and students learning a wide variety of marine trades skills. Plans are in the works for expanding the boatyard

Listen to "Our Working Waterfront" podcasts. KPTZ's Chris Bricker joins co-hosts Port Executive Director Eron Berg and Port Commissioner Pam Petranek in monthly updates on news on issues and the people of our maritime community, at <https://kptz.org/podcasts/working-waterfront/>

What the Port manages



Point Hudson Marina

An intimate marina surrounded by historic buildings, with 50 slips and 800 feet of linear dock. Also an RV park with 48 spots. Home of the annual Wooden Boat Festival. The marina is closed for jetty replacement in January, to reopen late winter or early spring, check www.portofpt.com for updates.

Boat Haven

Center of the marine trades in Port Townsend and the region's largest marina, home to 475 vessels. Fuel, showers, restroom, pump-out. Over 400 skilled marine trades workers employed by 60 businesses. Acres of upland storage used both by the pros and do-it-yourselfers. Three lifts carry boats up to 300 tons. Dual boat ramps.

Port Administration

Port staff can help with billing questions, and with public engagement in the public decision-making by the elected Port of Port Townsend Commission. www.portofpt.com

Jefferson Co. International Airport

Featuring a 3,000-foot runway, together with on-call Customs, full aircraft services, fuel, the renowned PT Aero Museum, and the Spruce Goose Cafe. More than 140 aircraft are home-based here.

Boat Launches

The Port operates four rural boat launches. They are at Discovery Bay (Gardiner Beach Road), Port Hadlock (Lower Hadlock Road), Mats Mats Bay near Port Ludlow (Verner Avenue) and Quilcene (Linger Longer Road). There are also dual launches at the Port Townsend Boat Haven.

Quilcene Marina

The Herb Beck Marina in Quilcene offers 50 slips, and offers services such as pump out, showers and restrooms. Nearby is Coast Seafoods, operating mostly on Port land.

**Look for the Spring Newsletter
in April 2023**

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