

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 10/22/2024
TO: Port Commission
FROM: Connie Anderson, Director of Finance & Administration & Eron Berg, Executive Director
SUBJECT: Public Hearing – First Reading of the 2025 Consolidated & Departmental Operating and Capital Budgets

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?

Public Hearing – 2025 Operating and Capital Budget

The legislative body must hold a public hearing 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. 39), identifying suggested updates from the 2nd Draft rate card based on feedback received at the 10/9/24 Commission workshop.

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

The commission must hold a public hearing on revenue sources for the coming year's budget which includes consideration for increasing the property tax revenues (pgs. 57-59).

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”, therefore the Commission is only adopting the consolidated budget as presented (pgs. 55-56).

Consolidated Sources & Uses of Cash 2025 Budget

Note: Minor tweaks, adjustments and corrections have been made following the 2nd draft of the 2025 budget, with only small relative changes in the final numbers.

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. 71-89) 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. 89) is included.

Organizational Chart

The organizational chart (pg. 64) outlines the hierarchical structure of Port staff. A few changes from 2024 are recommended. First, the Safety and Training Coordinator position has been eliminated. This role has been combined with the Environmental Specialist. 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. 90-106) is included in the draft 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

Cash flow (pg.107-108) 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 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.

Please provide any feedback on the 3rd draft of the 2025 budget to incorporate into the final draft of the budget.

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 continue deliberations and keep the record open regarding the adoption of Resolutions No. 827-24, 828-24 and 829-24 to November 13, 2024.