



2022 Washington Public Ports Association
Finance & Administration Conference

June 9, 2022

Abigail Berg, Port of Port Townsend

Communicating Financial Information to the Port Commission, Management, and the Public

Port of Port Townsend



- Located on the Quimper Peninsula in the Puget Sound
- 4 lines of business: Boat Yard, Marinas, Properties, and Airport
- Boat Yard with 3 lifts: 70, 75 and 300 Ton, with approximately 20 spaces in the 300 Ton Yard, 120 in the 70-75 Ton Yard, and 35 in long term (70-75 Ton)
- Marina locations: 1.) Boat Haven, 2.) Point Hudson, and 3.) Quilcene. Boat Haven has ~300 slips, Point Hudson has ~38 slips, and Quilcene has ~25 slips.
- Rental properties include land leases, building and hangar leases. Approximately 103 tenants. Major tenants include a ship-wrights coop, aluminum boat builder, 7 eateries, a brewery, and a coffee shop.
- 3 Port Commissioners
- Annual revenues of \$11 million
- Converted to Cash Basis reporting as of 2018
- 37 FTE

Cash Basis Reporting

The Port reports financial activity in accordance with the Cash BARS prescribed by the State Auditor's Office (SAO) under the authority of Washington State law, RCW 43.09. While the SAO does not require GAAP reporting, it may be required by federal grants, bonds, contracts or other oversight agencies.

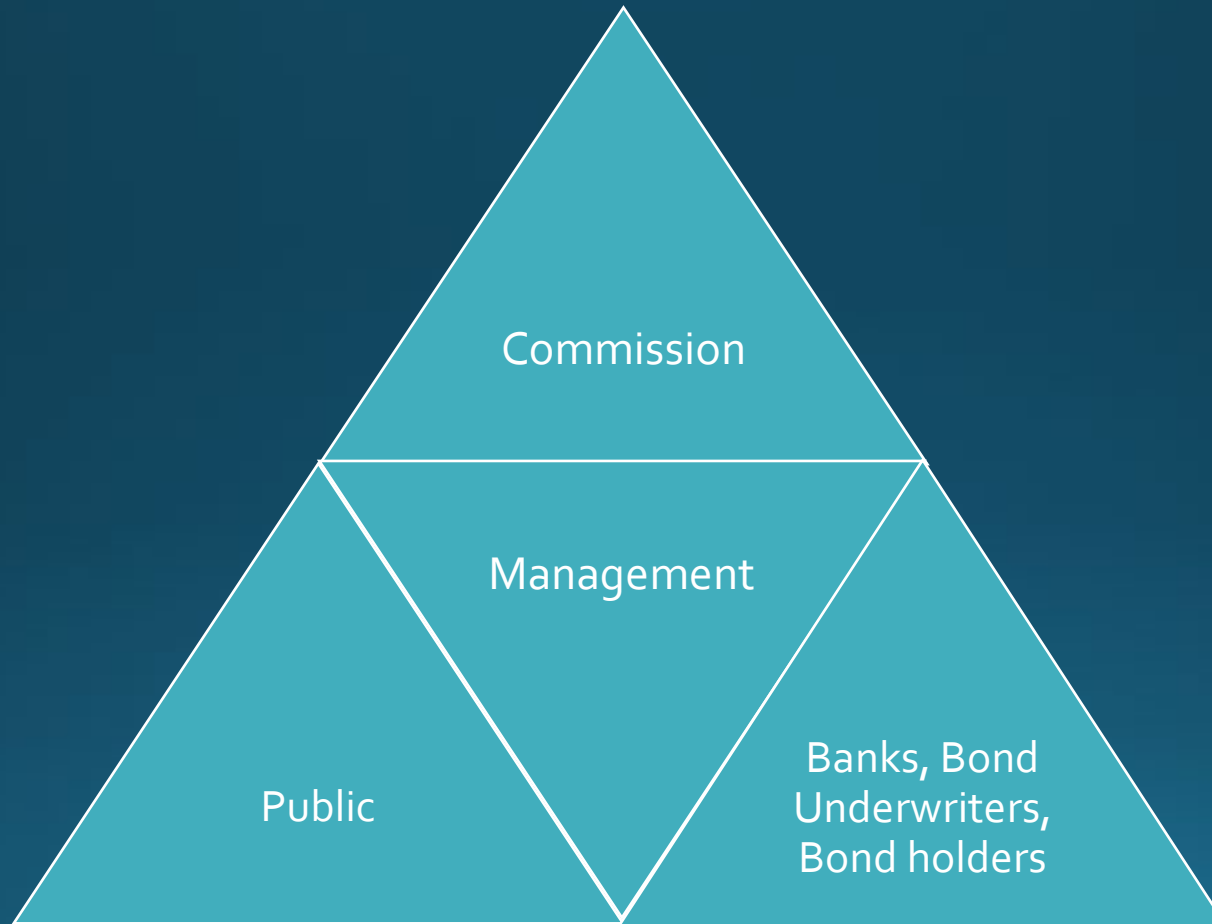
Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

The Port uses Jefferson County as its treasurer and opted to adopt their open period (20 days) for year end reporting.

Cash Basis vs. GAAP

- Easier to understand by managers, and governing bodies unfamiliar with accrual concepts and language.
- Clear presentation of cash flows and available cash.
- Requires less training of staff.
- Financial reporting may be less costly.
- Not consistent with nationally recognized financial reporting standards.
- Depreciation isn't recognized.
- Revenues, expenditures, and liabilities are not accrued.
- Statements are focused on short-term rather than long-term financial position.
- Less information on non-cash assets, and changes in them.
- Less information on liabilities and changes in them.

Users of Port financial information



Knowing or Learning what they want.

The various users of financial reports:

- Commission – relatively high-level information to include detail of cost center revenues and port-wide expenses
- Management – more detailed reporting by month measured against current year's budget for the month
- Bond Underwriters and Bond Holders – as required by GAAP, GASB, and the State Auditor's Office for cash basis reporting
- The Public – they want enough detail and explanation to understand the Port's financial status and activity



A white calculator is positioned in the foreground, slightly to the left, resting on a desk. In the background, a document with text is visible, though it is out of focus. The overall scene is brightly lit, suggesting an office or financial setting.

Monthly Financial Reports

- Consolidated Port income statement: includes all activities of the Port, with footnotes and accompanying memo disclosing the year-to-date capital expenditures and purchases, annual and remaining debt service, period end unreserved and reserved cash balances with comparative to last year. Used by the Port Commission, Executive Director, Deputy Director, and the Public.
- Departmental income statements: Boat Haven Marina; Boat Yard; Boat Haven Properties; Point Hudson Marina, RV Park and Properties; Quilcene; Ramps; Airport. These are month to month comparative budget to actual reports. Primarily used by Operations Manager and the Harbormaster.

Monthly Financial Statement with notes

- Cash Basis formatting and reporting
- Shows comparative year-to-date to prior year and budget with variances

Port of Port Townsend 2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Mar. 2021	YTD Mar. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
OPERATING REVENUES						
Boat Haven Moorage	434,283	451,142	16,859		460,319	(9,177)
Yard Operations	549,805	617,955	68,150		557,212	60,743
Boat Haven Properties	194,587	211,330	16,744		210,899	431
Pt. Hudson Marina, RV & Prop	313,801	335,413	21,611		315,953	19,460
Quilcene	37,667	31,735	(5,931)		33,405	(1,670)
Ramps	6,125	4,540	(1,585)		7,189	(2,649)
JCIA	37,416	43,679	6,263		40,248	3,431
(Incr.)/Decr. In Accounts Receivable	112,569	112,929	360		-	112,929
Total Operating Revenues	1,686,253	1,808,724	122,471	a	1,625,225	183,499
OPERATING EXPENDITURES						
Salaries & Wages	564,144	653,049	88,905		634,426	18,623
Payroll Taxes	57,567	68,253	10,686		66,151	2,102
Employee Benefits	206,530	206,356	(174)		213,791	(7,435)
Uniform Expense	2,542	6,818	4,277		2,768	4,050
Contract Services	66,879	60,885	(5,994)		70,973	(10,088)
Legal & Auditing	43,689	10,566	(33,124)		19,582	(9,017)
Insurance	-	1,545	1,545		-	1,545
Facilities & Operations	166,161	195,295	29,134		129,787	65,508
Utilities	150,274	163,552	13,278		157,947	5,605
Marketing	6,405	17,149	10,744		11,517	5,632
Economic Development	-	7,500	7,500		7,500	-
Travel & Training	659	3,987	3,328		3,009	978
Community Relations	3,847	259	(3,588)		-	259
Total Operating Expenditures	1,268,697	1,395,215	126,518	b	1,317,451	77,763
Net Operating Income (Expense)	417,555	413,509	(4,046)		307,774	105,736
Other Increases in Fund Resources						
Deposits & Retainage Collected	18,624	19,054	431		14,203	4,851
Taxes Collected	160,693	176,081	15,387		159,306	16,775
Interest	17,291	1,953	(15,338)		16,633	(14,680)
Property & other taxes	358,909	533,481	174,572		521,155	12,326
Misc Other Incr. in Fund Resources	2,772	7,718	4,946		4,905	2,813
Total Other Incr. in Fund Resources	558,288	738,286	179,998	c	716,202	22,084
Other Decr. In Fund Resources						
Deposits & Retainage Paid	5,646	2,318	(3,328)		8,023	(5,705)
Taxes Remitted	139,069	156,776	17,707		151,971	4,805
Debt Principal & Interest	251,565	-	(251,565)		-	-
Debt Mgmt, Issuance & Misc Exp	9,341	98	(9,243)		370	(272)
Election Expense	-	17,561	17,561		2,000	15,561
Total Other Decr. In Fund Resources	405,621	176,752	(228,869)	d	162,364	14,388
Net Incr./(Decr.) in Fund Resources	152,667	561,534	408,867		553,838	7,696
Net Income (Expense)	570,222	975,043	404,821	e	861,612	113,432

Monthly Financial Report memo, 1 of 3

To provide more meaningful detail with the current financial statement, we adopted a memo to show other cash spent, such as capital related, that does not appear on financial statement.

2022 YTD Capital Project Expenses

Point Hudson Jetties	\$ 58,135
Dock Renovations & Piling Replacement	0
BH Breakwater Repair	633
PH Pavilion Bldg. Remodel	18,426
FEMA Grant – Yard Stormwater Materials Replacement	0
FEMA Grant – City Dock	0
FEMA Grant – JCIA Asbestos Roof	0
North Yard Expansion	176
<u>Reconstruct Old Coast Guard Building</u>	<u>34,292</u>
Total Capital Expenses YTD	<u>\$ 111,662</u>

Non-Capital use of funds

DNR – Vessel Destruction	\$30,233
--------------------------	----------

2022 Capital Purchase

Kendrick Equipment, Inc. <i>(final payment on 75-Ton lift, and crane rental to build)</i>	403,338
Northsound Auto Group, LLC (3 RAM pick-up trucks)	86,704
<u>Land Acquisition – West Yard Expansion</u>	<u>5,949</u>
Total Capital Purchases YTD	<u>\$ 495,991</u>

Monthly Financial Report memo, 2 of 3

- Monthly detail on the unreserved and reserved cash balances.
- In January 2019, the Port Commission adopted via resolution reserves for Operations, with a targeted balance of 25% of total annual operating expenses, and Port-wide Capital for projects to fully fund or use as grant match.
- In November 2019, the voters of Jefferson County approved the Port's 2nd Industrial Development District (IDD) levy for use in development and redevelopment of marginal area properties.
- In November 2020, the Port Commission adopted via resolution the consolidation of previous reserves (Hazardous Waste and Contingency) to create a new reserve - Emergency Reserve.

Ending Cash Balances as of March 31	2022	2021
Reserved Cash & Investments – Other*	\$2,727,022	\$1,847,700
Reserved Cash & Investments – IDD	2,413,121	866,322
Unreserved Cash & Investments	<u>1,410,605</u>	<u>2,029,123</u>
Total Cash & Investments	<u>\$6,550,748</u>	<u>\$4,743,144</u>
*Other Reserves detail:	Current balance	Target balance
Operating Reserve (a)	\$ 934,168	\$ 1,316,701
Boat Haven Renovation Reserve (b)	447,878	na
Emergency Reserve	500,000	500,000
Port-Wide Capital Reserve (c)	834,976	na
Unemployment Reserve	<u>10,000</u>	10,000
Total Other Reserves	<u>\$ 2,727,022</u>	

(a) The target for the Operating Reserve is 25%, or three (3) months, of operating expenses. See resolution 692-19 for more detail.

(b) The plan for this reserve is to use it on Boat Haven Moorage projects until is it extinguished. It was replaced by the Port-Wide Capital Reserve in resolution 693-19.

(c) Resolution 693-19 does not set a target for this reserve.

Monthly Financial Report memo, slide 3 of 3

- Highlight of the Port's current debt service obligations for the year, their original purpose, and obligations until retirement.

Debt Service for the Year

2010 LTGO Bond – (83% paid A/B Dock Reconstruction, 17% paid 75 Ton Lift Pier)

June 1 – interest only	\$ 80,744
December 1 – principal and interest	400,744

2015 LTGO Refunding Bond- (paid for Point Hudson Marina Reconstruction – 2005 LTGO Bonds refunded in 2015)

July 1 – principal and interest	520,600
December 31 – interest only	<u>23,250</u>

Total Debt Service for current year \$ 1,025,338

Remaining Debt for years 2023-2029

2010 LTGO Bond – principal and interest	\$ 3,329,550	payoff December 2029
2015 LTGO Bond – principal and interest	<u>1,620,800</u>	payoff July 2025
Total	<u>\$ 4,950,350</u>	

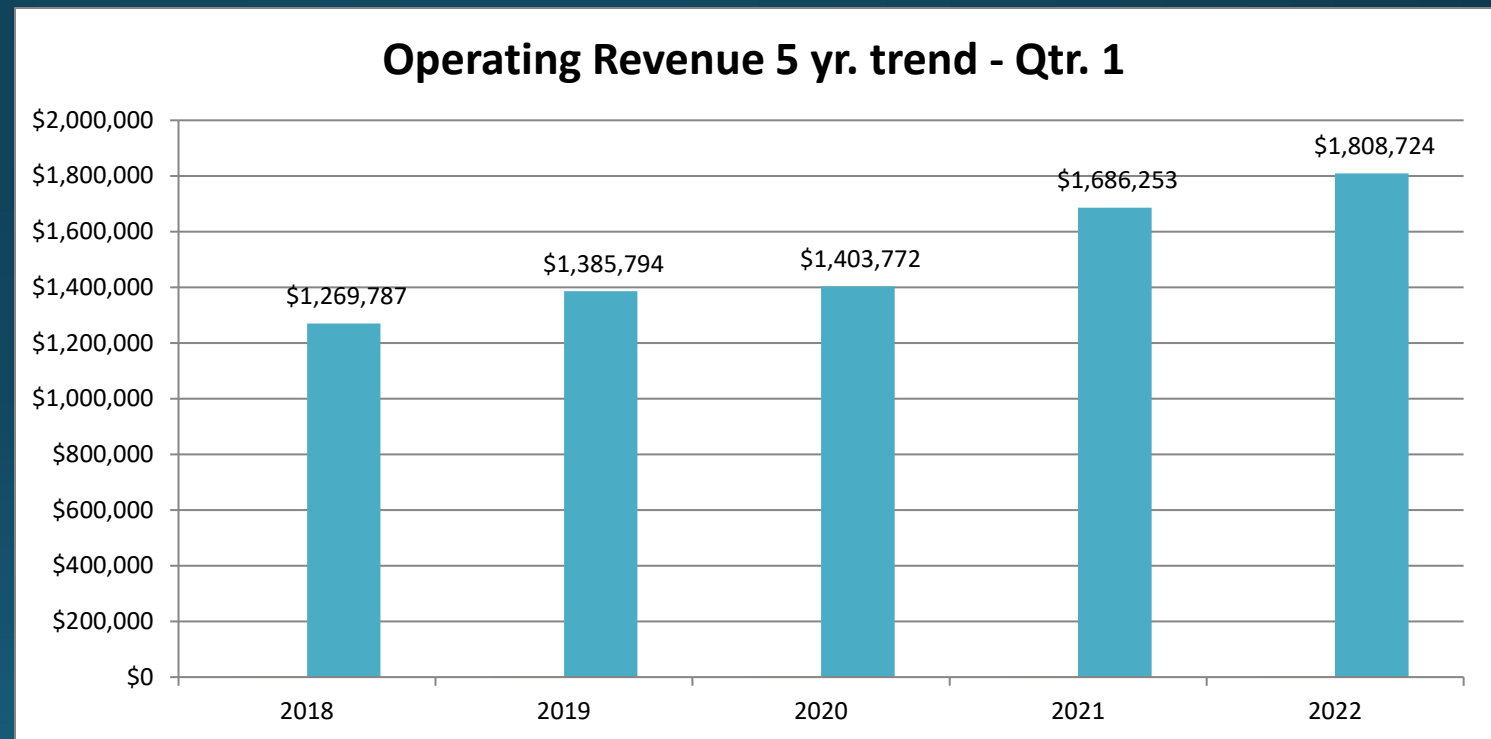
Quarterly Financial Reports

- Consolidated Port income statement with footnotes, same as monthly report.
- Graphs showing 5-year trend of operating revenue and expenses to include year to year increase or decrease amounts by line item with percentages and commentary.
- Accompanying memo reports details on the year-to-date capital expenditures and purchases, annual and remaining debt service, period end unreserved and reserved cash balances with comparative to prior year, and target balances, as applicable.



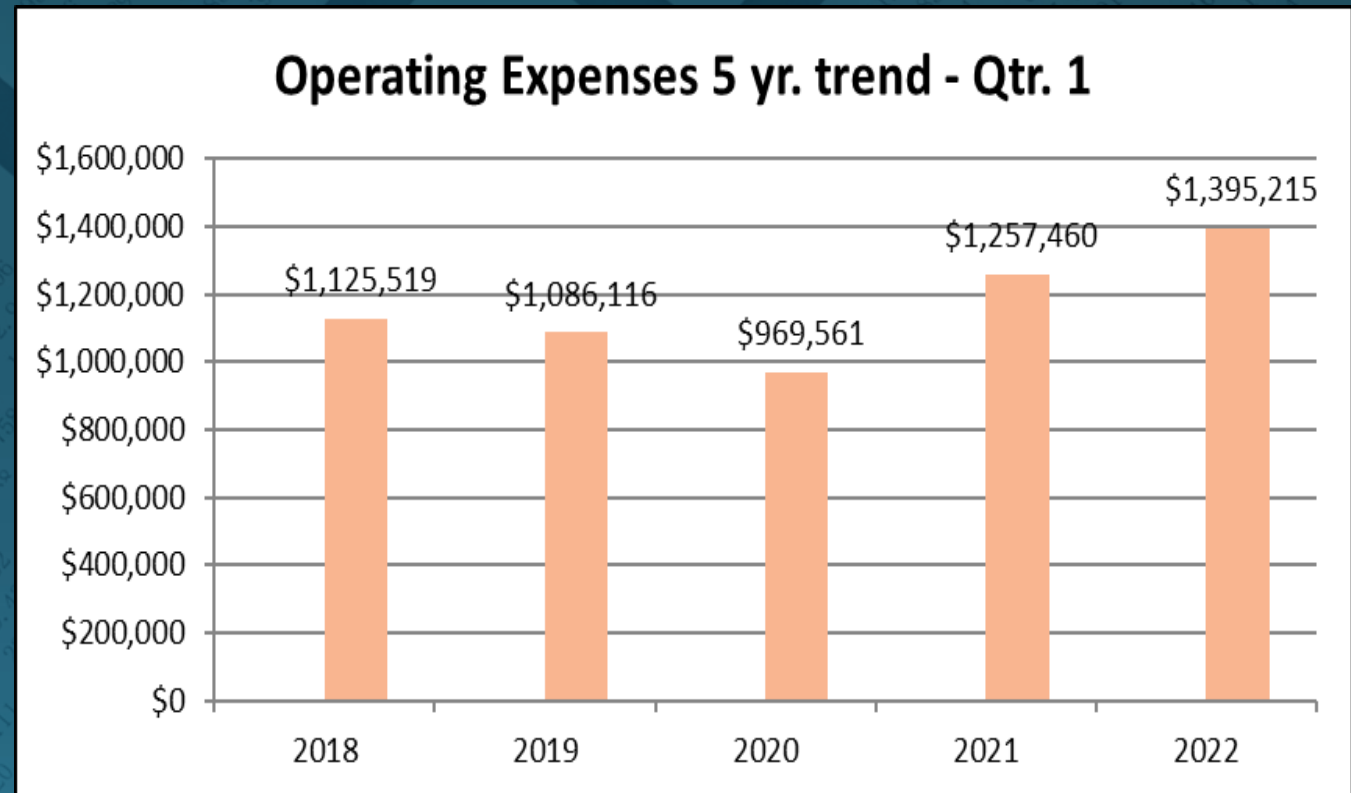
Quarterly 5-year Trend Revenues

Year	Oper. Rev.	Incr./Decr.
2018-2019	\$116,007	9.1%
2019-2020	\$17,978	1.3%
2020-2021	\$282,481	20.1%
2021-2022	\$122,471	7.3%



Quarterly 5-year Trend Expenses

Year	Oper. Expenses	Incr./Decr.
2018-2019	(\$39,403)	-3.5%
2019-2020	(\$116,555)	-10.7%
2020-2021	\$287,899	29.7%
2021-2022	\$137,755	11.0%



Quarterly Financial Reports Memo

- The memo accompanying the quarterly financial reports provides the same information as the monthly reports to include:
 - The year-to-date capital expenditures and purchases,
 - The annual and remaining debt service obligations,
 - The period end unreserved and reserved cash balances with comparative to prior year, and target reserve balances, as applicable.

Industrial Development District (IDD) Quarterly Reports

Under RCW 53.25, the Port asked the voters of Jefferson County for a 2nd IDD levy to assist in the development and improvement of the district. Voters passed this levy in the November 2019 election; the base year was established as 2019 and collections commenced in 2020.

Since these funds are restricted in use, and to maintain transparency with the citizens, the Port reports to the Commission on a quarterly basis the status of levy collections year-to-date, and levy-to-date, and the projects budgeted for IDD funding, and their expenses to-date.

There has not been anything substantial to warrant a detailed narrative report to accompany this financial report since the Port Engineer provides a more thorough detail on how each project progresses.

IDD Quarterly Report, 1 of 3

IDD Tax Levy Activity

as of end of Quarter 1, 2022

Details: This report provides the current quarter-to-date IDD capital expenses authorized to be funded by the IDD levy. It also includes the IDD levy receipts, quarter-to-date, and fund transfers made one month subsequent to quarter end, to reconcile capital work.

Approved by voters November 5, 2019

First year of collection 2020

Base Year AV 2019

\$ 5,988,145,402

Annual maximum millage rate per \$1,000

\$ 0.45

total estimated IDD Levy *(updated Jan. 2022)*

\$ 16,878,967

Annual millage rate

\$ 0.13

\$ 0.26

\$ 0.26

Total Received since start of levy

\$ 797,610

\$ 2,439,350

\$ 3,612,093

Estimated remaining balance to tax

\$ 16,069,613

\$ 14,435,324

\$ 11,801,035

IDD Quarterly Report, 2 of 3

Annual millage rate	\$ 0.13	\$ 0.26	\$ 0.26
Total Received since start of levy	\$ 797,610	\$ 2,439,350	\$ 3,612,093
Estimated remaining balance to tax	\$ 16,069,613	\$ 14,435,324	\$ 11,801,035

	2020 (a)		2021		2022	
	budget	actual	budget	actual	budget	actual
Revenues						
total IDD Revenue	809,354	868,941	1,634,289	1,674,283	2,634,289	375,132
Capital Expenses						
Point Hudson Jetty Project (b)	590,000	194,646	300,000	191,369	2,030,000	66,542
Boat Haven Linear Dock Electrical (55%)	30,050	22,899	-	-	-	-
Main Stormwater Pump Station Repairs	-	-	100,000	53,497	-	-
Dock Renovation & Piling Replacement (b)	80,272	-	-	13,018	-	-
Sperry Bldgs. Capital Maintenance	-	-	70,000	30,117	100,000	-
Work & Boat Yard Electrical Design/Construction (b)	-	-	75,000	-	-	-
Quilcene Dredging Design	25,000	-	-	-	-	-
Moorage/Yard Office (Old Coast Guard Bldg.)	-	-	15,000	-	191,250	38,938
Northwest Yard Expansion	-	-	-	-	250,000	176
JCIA Underground Fuel Tank Replacement	-	-	-	-	100,000	-
BH Dock Renovation & Piling Replacement	-	-	-	-	133,191	-
70/75 Ton & 300 Ton Yard Electrical Design	-	-	-	-	30,000	-
70/75 Ton & 300 Ton Yard Electrical Infrastructure	-	-	-	-	75,000	-
BH Stormwater Treatment Compliance Upgrade	-	-	-	-	661,500	-
Quilcene Restoration Program	-	-	-	-	100,000	-
Point Hudson Preservation (incl. roofs)	-	-	-	-	40,000	-
total IDD Capital Expenses	725,322	217,545	560,000	288,001	3,710,941	105,656
Unused Current Year Remaining Levy	84,032	651,396	1,074,289	1,386,282	(1,076,652)	269,476
Ending IDD Reserve Account Balance		651,396		\$ 2,037,679		\$ 2,307,155

Notes:

(a) A budget for IDD Levy funding use was not developed in the original 2020 budget since the election results were not certified until after budget adoption. The voters did pass the IDD Levy referendum and on April 22, 2020, Port staff presented the Commission with a proposed budget for the 2020 IDD Levy capital expenditures. This was later revised several times during 2020.

(b) At the June 23, 2021 Commission meeting, an updated CIP budget for 2021 was approved. The Point Hudson Jetty project expense was increased from \$226,700 to \$300,000 due to permitting costs. The Dock Renovation & Piling Replacement project was removed from the 2021 budget, though expenses had already been incurred. The Work & Boat Yard Electrical Design project was increased from \$30,000 to \$75,000 so that it included Construction.

Reports discussed



- Monthly financial reports
- Quarterly financial reports
- Quarterly IDD reports

<https://portofpt.com/about-us/public-records-and-documents/finance/>



Questions and contact information

S. Abigail Berg

Port of Port Townsend

Abigail@portofpt.com

(360) 379-4975