



*We Provide Value:
We Create Economic Opportunities*

2017 4th qtr. Financial Report

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Financial Report at Dec 31, 2017

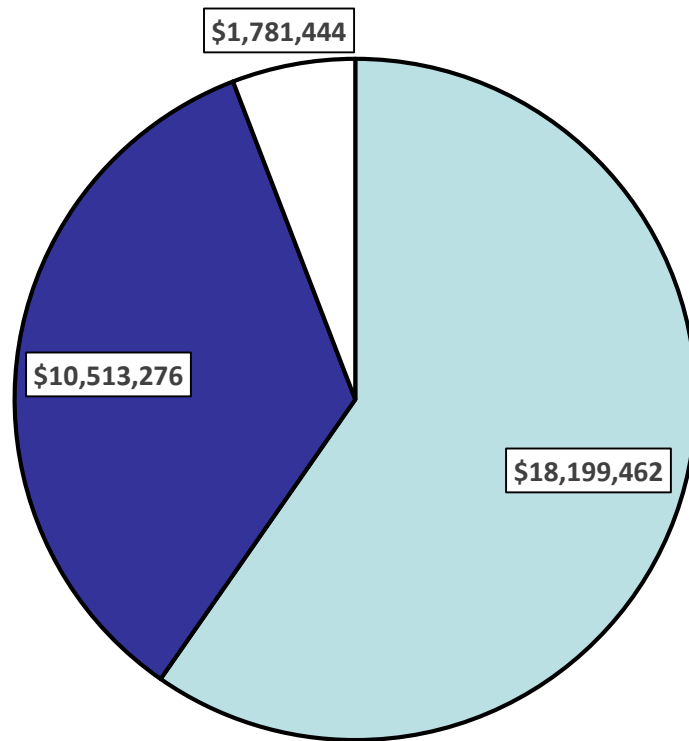
Presentation Outline

- Financial dashboard
- Analysis on Operating Results
- Other key measurements

2017 Financial Dashboard

| YTD through Dec 2017 | 2017 | Budget | | % Variance | 2016 |
|----------------------------|---------------------|---------------------|---|------------|--------------------|
| Operating Revenue | \$30,494,181 | \$33,878,872 | ↓ | -10% | \$29,870,330 |
| Operating Expenses | \$25,060,410 | \$25,661,693 | ↑ | 2% | \$25,083,116 |
| Income Bef Depr. | \$5,433,771 | \$8,217,179 | ↓ | -34% | \$4,787,214 |
| Depreciation | \$8,876,000 | \$9,717,984 | ↑ | 9% | \$8,541,316 |
| Operating Income | -\$3,442,229 | -\$1,500,805 | ↓ | -129% | -\$3,754,102 |
| Non-Op Revenues | \$6,066,323 | \$5,177,142 | ↑ | 17% | \$8,007,875 |
| Non-Op Expenses | \$6,252,482 | \$3,426,490 | ↓ | -82% | -\$1,962,477 |
| Non-Op Income | -\$186,159 | \$1,750,652 | ↓ | -111% | \$9,970,352 |
| Total Income | -\$3,628,388 | \$249,847 | | N/A | \$6,216,250 |
| Marine Terminal Rev | \$18,199,462 | \$22,189,522 | ↓ | -18% | \$18,434,074 |
| Marina Revenue | \$10,513,276 | \$10,385,350 | ↑ | 1% | \$10,096,689 |
| Properties Revenue | \$1,781,444 | \$1,304,000 | ↑ | 37% | \$1,339,568 |
| # of staff | 99 | 102 | ↑ | 3% | 100 |
| Cash and Investments | \$24,434,109 | \$28,863,572 | ↓ | -15% | \$39,402,352 |
| Total Debt | \$66,195,715 | \$89,108,435 | ↑ | 26% | \$64,847,166 |
| Employee cost % of Op Rev | 37.7% | 35.8% | ↓ | -5% | 38.4% |
| Admin. Cost as % of Op Rev | 12.0% | 12.0% | ↑ | 0% | 13.2% |

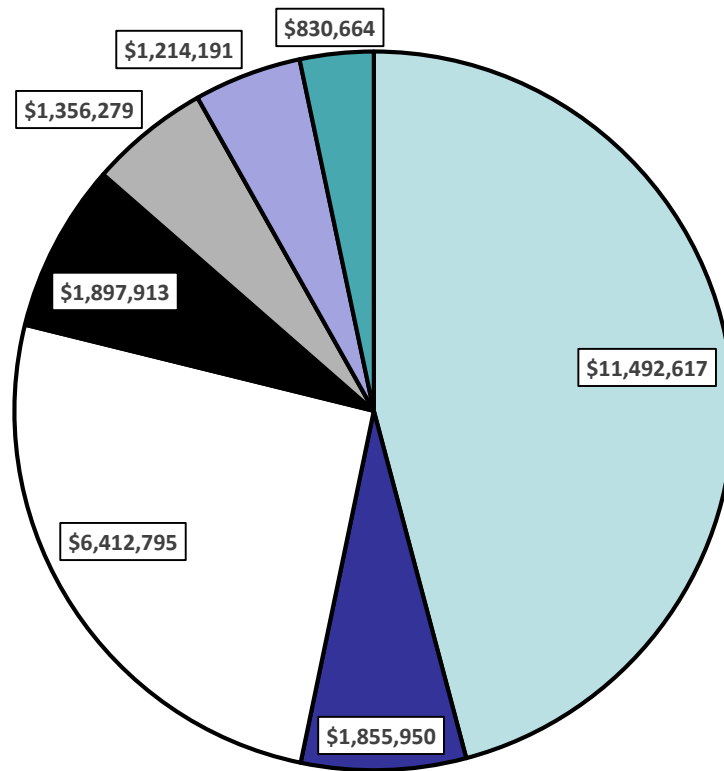
Operating Revenues by business line



■ Marine Terminal Rev ■ Marina Revenue ■ Properties Revenue

Revenues for the year were \$3.4 million under budget however 2.1% above 2016.

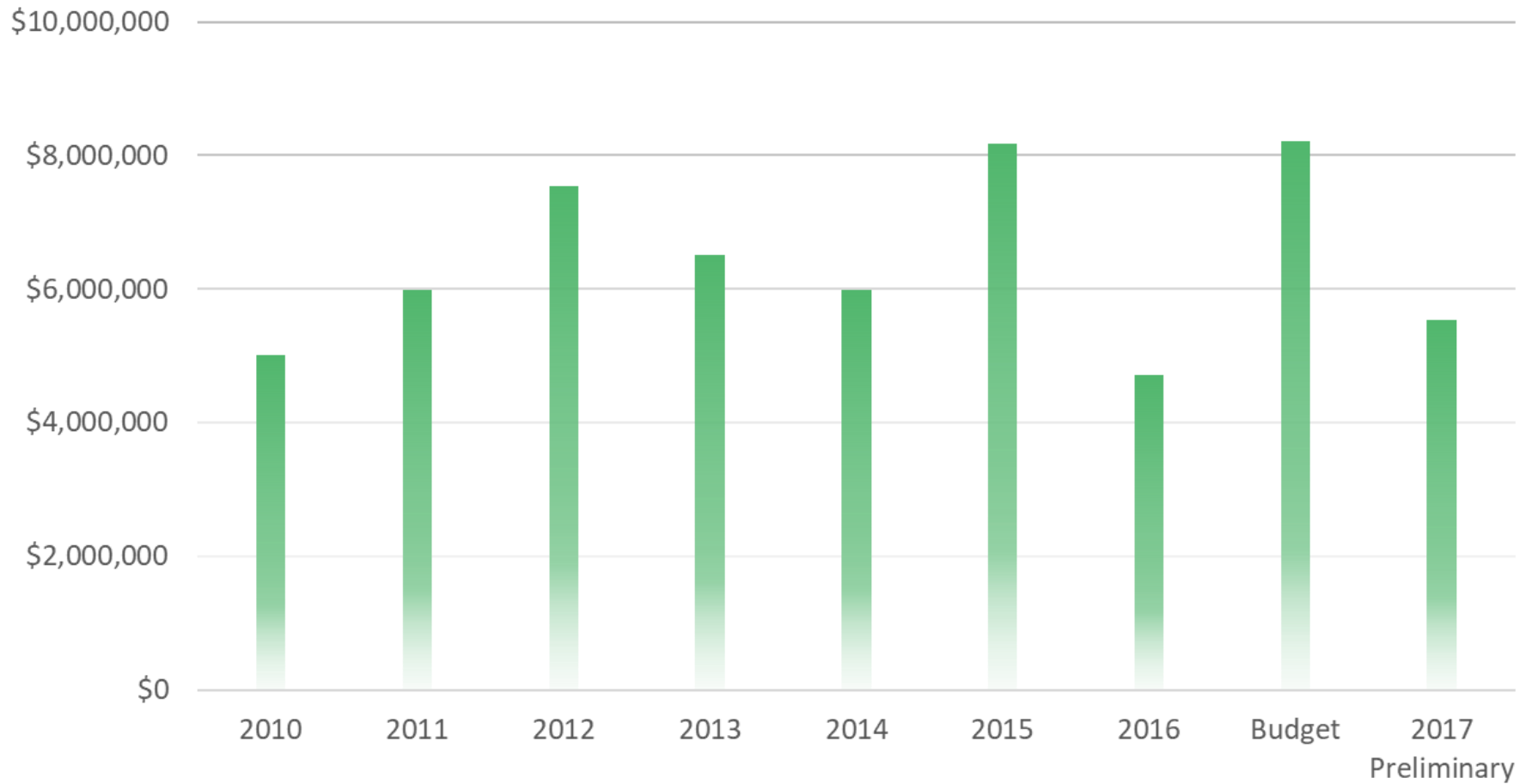
Operating Expenses



- Salary and benefits
- Outside Services
- Utilities
- All other
- PMA Labor
- Supplies
- General and Admin

Operating expenses \$23 thousand below 2016. 2% below budget

Operating Income



Financial Report at Dec 31, 2017- Analysis

- Operating Highlights
 - Revenues overall missed budget by 10%
 - Marina division up 4% Occupancy flat
 - Properties division up by 1/3rd however limited growth until new leases come on line.
 - Marine Terminals division down for 2nd consecutive year (1.3% lower).
 - Revenue mix is becoming more diversified but still heavily dependent on Marine Cargo (60% of total).
 - Marina occupancy at 84% however almost all of the vacancy in small slips.
 - Properties brought on new revenue leases and sales but capital cost to do so was significant.

Financial Report at Dec 31, 2017- Analysis-Marine Terminals

- Cargo tonnage up but ship calls down.
- Revenues only down 1.2% but revenue swings were significant.
 - Dockage increased \$421 thousand up 47%
 - Wharfage decreased \$1.1 million down 23%
 - Services decreased \$209 thousand down 16%
 - Loading decreased \$182 thousand down 6%
 - Labor Revenue decreased \$351 thousand down 26%
 - Crane rentals decreased \$557 thousand down 22%
- Revenue decline partially offset by one-time settlement of VIGOR lease for over \$1 million.
- Expenses saw modest increase of 1% however:
 - Port personnel costs grew by \$200 thousand
 - Gross Operating Margin (bef. overhead allocation) fell to 29.3% from 30.9%

Financial Report at Dec 31, 2017- Analysis-Marina

- Moorage Occupancy at 84.3% average for 2017.
 - On average over 300 slips empty
 - Almost all of them are under 28' (276 vacant, 67% occupancy)
- Revenues up \$417 thousand, 4% higher than 2016
 - Moorage revenue up \$208 thousand up 3%
 - Yard storage up \$45 thousand up 9%
 - Rest of growth from low margin pass through
 - Electricity sales up \$34 thousand
 - Fuel Sales up \$77 thousand (higher prices for gas)
- Expenses saw modest increase of 1.9% :
 - Port personnel costs- 30% of Revenues
 - Claims payments totaled \$102 thousand in 2017
 - Total maintenance costs \$1.8 million
 - Allocated security \$758 thousand
 - Gross Operating Margin grew to 33.1% from 31.7%

Financial Report at Dec 31, 2017- Analysis-Properties

- Property Leases at full occupancy
 - 42 firms leasing from the Port.
 - Several new property transactions in 2017
- Revenues up \$442 thousand, 33% higher than 2016
 - Space rentals increased \$316 thousand up 53%
 - Land rentals increased \$64 thousand up 10%
- Expenses decreased by \$245 thousand (13.4%)
 - Port personnel costs 27% of Revenues
 - Outside services largest cost \$526 thousand in 2017
 - Legal costs, consultants largest costs but down significantly from 2016
 - Utilities and admin. costs are growing with lease portfolio
 - Gross operating margin grew to 11.4% from -36%

Financial Report at Dec 31, 2017- Analysis-Administration

- Administration costs down \$352 thousand, 9% decrease
 - Administration expenses totaled \$3.6 million, \$500 thousand below budget.
 - Port personnel costs down \$9 thousand.
 - Outside services largest cost \$361 thousand in 2017
 - Most other costs below 2016 levels, exception utilities
- Public Access costs rose to \$751 thousand
 - Continuing to add additional public spaces on Port property
 - Expenses grew by \$324 thousand to \$750 thousand
 - Outside services total of \$209 thousand
 - Contribution to daylighting Japanese Gulch
 - Other expenses of \$216 thousand.
 - Costs to move Weyerhaeuser building that can't be capitalized

Financial Report at Dec 31, 2017- Analysis-Non-Operating

- Non-Operating Revenues
 - Property taxes \$4.7 million
 - Leasehold excise tax \$74 thousand
 - Interest income of \$895 thousand.
 - Investment portfolio net income
 - Interest on investment in Mt. Baker Terminal
 - Environmental grant revenue of \$387 thousand
- Non-Operating Expense
 - Interest expense \$1.97 million
 - Bond issuance costs \$300 thousand
 - Asset write-downs- \$1.1 million
 - Prior period adjustment \$694 thousand
 - Environmental expense \$1.1 million
 - Election costs \$22,305

Financial Report at Dec 31, 2017-

Other key measurements

- Paid down principal of \$2.5 million on Senior Debt
 - Total debt \$66.2 million
- Spent down reserves
- Setup borrowing Line of Credit with U. S. Bank
 - \$10 million borrowing facility
 - \$5 million outstanding at yearend
- Net position decreased during year by \$1.8 million
 - Balance at December 31, 2017 \$220 million
- Coverage ratio 3.07 x Revenue bond debt service
 - Down from over 9 times in 2015 and 5 times in 2016
- Currently planning on spending about \$30 million in 2018.
 - Budget for Capital spending is \$ 41 million plus carryforward.



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Thank you!

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