

2021 OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN





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Message from the Director

To the Greater Kingston Community and District Voters,

Thank you for reviewing the Port of Kingston's 2021 Budget. The budget for 2021 emphasizes building a stronger financial foundation to preserve and improve our port and to position ourselves for economic growth.

Our mission states, "Serving what matters today, with a view for tomorrow." Only a year ago, few people understood the risk of the global pandemic that has affected our local economy. Here at the port, we feel very fortunate that we have been able to weather this threat so far. It has drastically impacted most of our lines of business however. Many other institutions have been seriously compromised and the full impacts are yet to be realized. Commission leadership and staff responsiveness combined with the support of the Kingston community and our customers has made all the difference.

Port operating revenues continue to exceed our expenses and the resulting net ordinary income is critically needed to preserve the port. We are building our financial foundation rock by rock. We are continuing to explore growth opportunities in the community to expand our quality and breadth of services. We're on our way but we still have plenty of work ahead of us. This coming year, we will be exploring which economic development opportunities to pursue and begin executing on these goals including how we will structure the funding for development into the future.

One major challenge we are working on is the multimillion-dollar repair and replacement of the marina. Many ports are trying to determine how to rebuild and replace their marinas and it is a daunting task. One component of the marina is to complete a secondary dredge to preserve access and egress to the marina. This marina related project along with many others comprise a bulk of our capital expenditures for the next 2-3 years.

The Port of Kingston is a critical regional transportation hub with both the Washington State Ferries moving over 4 million passengers through Kingston annually and the new Kitsap Transit Passenger-only Ferry Terminal serving the Kingston-Seattle downtown route. We completed the SR104 Ferry Holding Lot Feasibility Study in partnership with WSDOT, WSF, Kitsap county and Kitsap Transit. We are partnering with same team to alleviate traffic congestion in the Kingston downtown and are working on next steps even in this economic climate.

Also, we are working with Kitsap County to implement the stormwater program here in the greater Kingston area and eliminate barriers to investing in the future of Kingston. Your Port Commission continues to set direction and priorities based on community feedback.

We are so appreciative of the support of everyone in this community, all our partners, and of course - our customers.

Please feel free to contact me if you have any questions or comments regarding the Port.

Greg Englin
Executive Director



Who We Are/What We Do



The Port of Kingston is a municipal corporation of the State of Washington created in 1919 under provision of the Revised Code of Washington (RCW Title 53 et seq.), to provide for the development and maintenance of harbors and terminals, promote tourism and foster economic activity in its district.

Port Commission. A three-member Board of Commissioners elected for six-year terms by the Port district voters governs the Port. The Commission delegates administrative authority to the Executive Director to conduct operations of the Port. Kitsap county levies and collects taxes on behalf of the Port as determined by the Board of Commissioners and acts

as treasurer for the port defined under RCW 53.36.010. **Port commission not only hires the Executive Director, the commission also hires Legal Counsel, and determines who will serve as the Port Auditor.**

Industrial Development Corporations. An Industrial Development Corporation (IDC) is a public corporation that is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the corporation are payable from revenues generated as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of the port's properties or revenues other than the industrial facilities for which they are issued. The Port of Kingston currently has not established any IDC's though this is a potential avenue for investment.

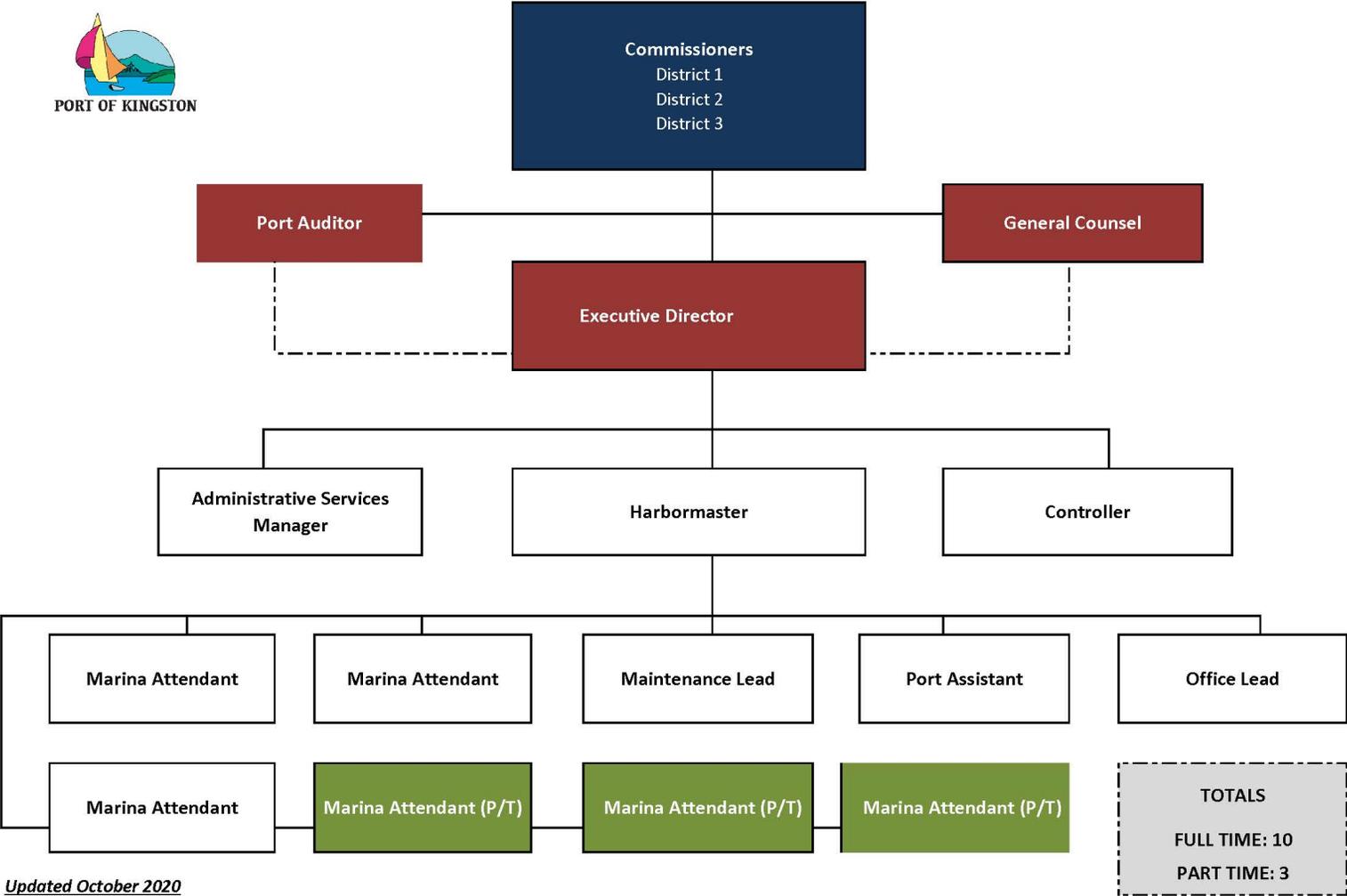
Ports are economic drivers. Ports provide:

- General economic development programs.
- Promote tourism and recreation.
- Develop lands for industrial and commercial use.
- Buy, lease and sell property.
- Provide air and water pollution control works.
- Operate trade centers and export trading companies.
- Establish and operate foreign trade zones.
- Build telecommunications infrastructure and provide wholesale telecommunications services.
- Secure access to and use of the waterborne trade or tourist activities.
- Strengthen communities by providing jobs and fortifying local economies.
- Create Workforce Development Opportunities
- Actively Enhance Environmental Stewardship



Organizational Chart

Organizational Chart



Updated October 2020



Commissioners

Steve Heacock

President

District 1

Term Expires: December 31, 2025

Steve Heacock is the newest Port Commissioner from District 1. Steve was elected during the 2019 election. Steve brings permitting and current planning experience to the Port of Kingston Commissioner team, having worked in the natural resources field for over 27 years. He and his family moved to Kingston in 1998. Steve has been a volunteer for the Kingston Citizen’s Advisory Council since 1999, including several years as Co-Chair. His experience includes grant writing, budget and program development, public education and outreach, and complex shoreline, environmental and land use permitting expertise. As a defined urban growth area, Kingston is going to see many new developments, residents and businesses. Steve believes Kingston’s downtown business core needs to keep its maritime charm and character. He would like the Port to work with State and County agencies to find a short-term fix and long-term solution to the antiquated tally slip system. Steve would also like to see the Port work with agencies, tribes, fishermen, farmers and the business community to provide a better nexus to economic vitalization within the Port’s boundaries for the benefit of its residents and the north Kitsap community.



Mary McClure

Commission Vice President

District 2

Term Expires: December 31, 2021

Mary McClure began serving as Port Commissioner, District 2, in January 2016. She brings a strong professional knowledge base built on 45 years’ experience providing consulting services and business solutions for both private companies and public projects. Her experience spans cities throughout the nation, Puget Sound, and especially Kitsap County, with focus on the intersection of economic and community development. As a professional facilitator, she brings a passion for building relationships that promote open communication and respectful dialogue within the community. Through a wide variety of projects, including serving 15+ years as Executive Director of the Kitsap Regional Coordinating Council, Mary has gotten to know Kitsap’s communities and what good government looks like. Close to home, she has been active in many Kingston volunteer projects. She co-founded and now co-manages the Kingston Farmer’s Market. Mary is a long-time Kingston resident, having lived on Apple Tree Cove since 1989. A recreational boater for over 30 years, Mary and her husband Jimmy James raised their children on Apple Tree Cove. Her fond memories of watching her children’s futures take shape here inspire her to seek out opportunities for Kingston’s economic future so that other families may build their own wonderful memories for many years to come. Mary’s central goal is to see strong, balanced Port Leadership and to strengthen the Port’s role in exploring economic development opportunities throughout the community. Fundamentally, Mary believes that government exists to serve the people.



Laura Gronnvoll

Commission Secretary

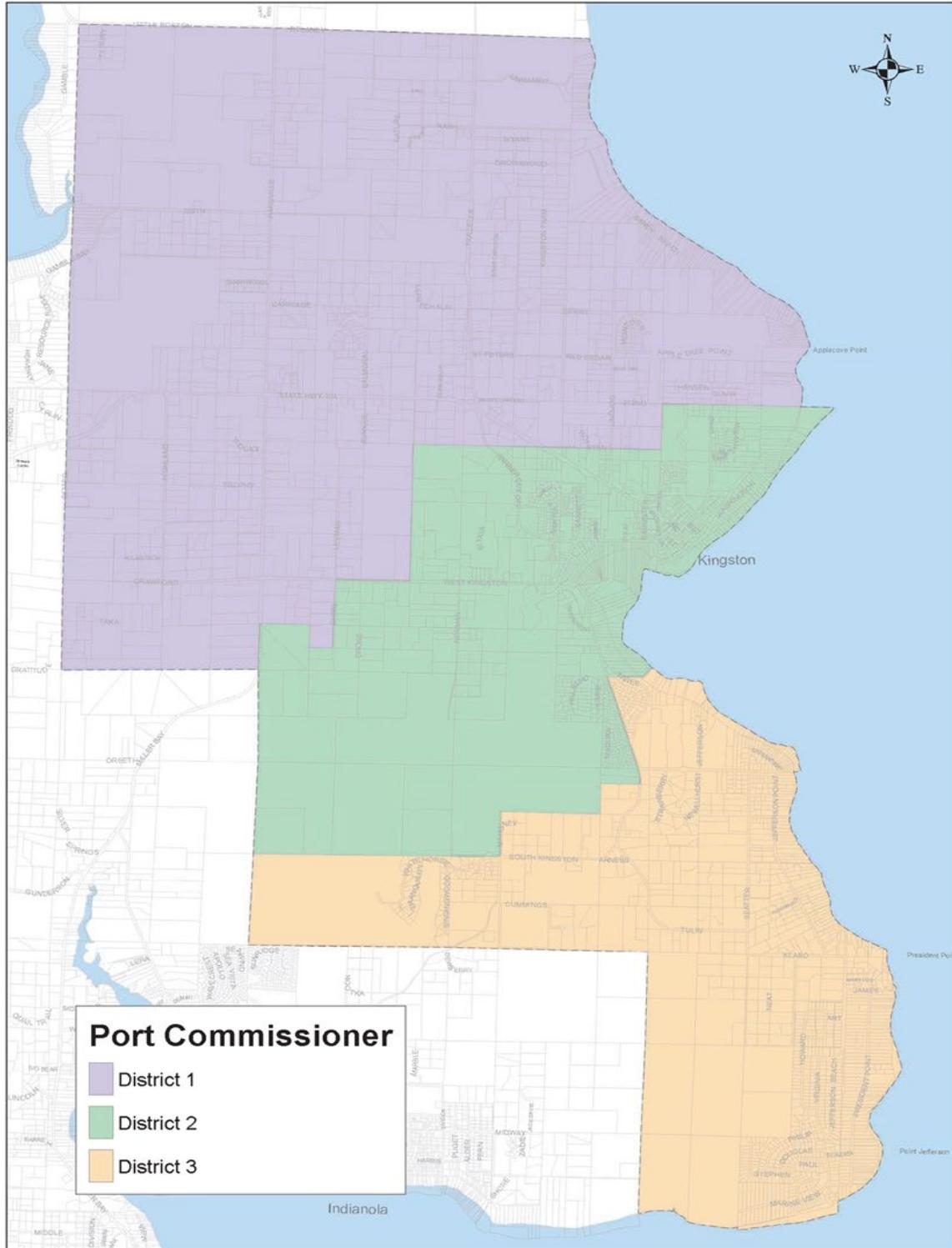
District 3

Term Expires: December 31, 2023

Laura Gronnvoll began serving as Port Commissioner, District 3 in January 2018 when she was elected to a six year term. Laura's family has lived in Kingston for over 40 years and her and her husband Sverre, have raised their three children here. Marine services have always played a major role in their lives. When Laura met her husband, he was working at a propeller repair shop; and now one of their sons, Erik, owns a propeller repair shop in Kingston. “We are here to stay,” said Gronnvoll. In addition to her duties as a Port Commissioner, Laura works at the local law office of Roberts & Bryan as a legal assistant. “I know Kingston is changing and there are a lot of different opinions about the nature and desirability of those changes,” she said. “But we all love this town and I encourage everyone to take part in the conversation in a positive way.”



Port of Kingston District No. 9





2021 Combined Operating Budget

Revenues

Projections for 2021 assume that the financial performance will mirror that of 2020 actual performance as a result of the pandemic continuing into the coming year. The 2021 budget reflects total operating revenues of \$3.12 million, an estimated decrease of \$88K from the 2020 estimated revenue. While the Port has conservatively estimated no significant new business or revenue streams, the weak economy due to the pandemic has constrained our ability to achieve expected results much less grow this past year. Revenue is expected to stay flat and we will see if the overall US economy rebounds from the effects of COVID-19 and at what rate. Contradicting this trend however, boating has substantially increased, and we expect that to have a positive effect on moorage revenue.

Non-operating revenues, as a portion of total revenue, consists primarily of property tax collections and interest income. As directed by the Port Commission, property tax levies are exclusively dedicated to the marina reserve fund. Long-term debt service for general obligation bonds is paid for out of operating revenue though it could be paid for from regular tax levy income. The budgeted levy of \$217,622 reflects a rate of \$0.16 per \$1,000 (out of a possible \$0.45 per \$1,000) of the Port district's preliminary total assessed value and is a 1% increase over the prior year's levy.

Expenses

The 2021 budget projects total operating expenses of \$2.53M. Consistent with the Port's focus on providing safe, productive facilities with excellent customer service, the 2021 budget includes competitive wages and benefits, over \$257K in capital expenses, and extensive repair and maintenance projects Port-wide. Not included in total operating expenses is approximately \$644K in depreciation.

The 2021 non-operating expenses consist primarily of interest expense on general obligation bonds. The Port has one outstanding general obligation bond, currently totaling \$850K in debt, which matures in 2024. Annual debt service payments in 2021 total will be \$86K inclusive of principal and interest.

Net Ordinary Income (Before Depreciation)

In conclusion, the 2021 budget reflects net income, before (capital) grants of \$529K.

Current Tax Levy Calculations & Information

The preliminary Total Assessed Value for the Port District for 2021, as of budget adoption, is \$1,373,259,484. Total proposed general levy rate for 2021 is \$0.16 per \$1,000 of Current Total Assessed Value. The 2021 Levy amount is \$217,622.



Reserve Accounts & Cash Position

Reserve Accounts & Cash Position

The Port has worked hard to maintain its cash position and pay down debt during the year. The table below documents the current balances for all accounts. The cash on-hand is \$1.95M. The ending *net* cash position is \$1.10M if the Port were to pay off all debt.

FUND NAME	Balance	10/30/2020
Petty Cash	\$	475.00
Marina Revenue	\$	495,105.00
Columbia Bank	\$	6,885.62
General Fund	\$	427,452.47
General Fund Investments	\$	28,135.52
*Investment Pool	\$	1,142.48
*Marina Rehab. Investment	\$	991,231.65
ENDING CASH POSITION	\$	1,950,427.74
LTGO Bond Balance	\$	(850,000.00)
NET CASH POSITION (AFTER ALL DEBT PAID)	\$	1,100,427.74

Operating Reserve. Current target for operating reserves is minimum of 3 months of operating expenses. Operating expenses ran about \$210K during 2020 and this translates to an Operating Reserve of **\$630K**. Long term goal would be 12 months of operating expenses or **\$3.0M**.

Emergency Reserve. The Port emergency reserve fund should cover potential cash requirements in the event of a catastrophe. This reserve should handle threats from litigation, derelict vessels, insurance deductible, weather related failures of infrastructure and the like. Minimum near-term emergency reserve is set at **\$500K**. Longer term the goal is **\$1.5M**.

Limited Tax General Obligation (LTGO) Debt Reserve. This reserve would be developed specifically to ensure that the Port can meet its long-term debt repayment obligation. The Port currently has \$850K of LTGO and payments run \$86K annually. The Port has approximately \$5.9M of remaining borrowing capacity though best practice would require holding a minimum of \$1.5M in debt capacity itself in reserve. Repayment for at least two years would require about **\$750K** in this reserve though this assumes the current (very low) discount rate of 2.5% for issued debt.

Total near-term reserves would therefore approach **\$1.9M** and build to **\$5.6M (not including Capital Reserves)**.



Budget 2021

PORT OF KINGSTON

Profit & Loss - Budget 2021

January through December 2021

Ordinary Income/Expense	<u>TOTAL BUDGET</u>
Income	
621-10-20 Moorage Base Rate	805,916
621-10-30 Moorage Cover Premium	92,400
621-12-00 Kayak	7,539
621-15-00 Moorage-Transient	181,000
621-16-00 Reservation Fees	9,388
621-17-00 Moorage Box Rental	9,360
621-22-22 Seasonal Moorage	36,192
621-82-00 Electricity-Permanent	35,055
621-82-05 Electricity-Transient	2,868
621-89-00 Laundry Income	2,000
622-91-00 Deposits Forfeited	0
625-20-02 Hill House Lease	21,269
625-20-03 Yacht Club Land Lease	15,752
625-20-04 Aviator Land Lease	4,827
625-20-05 Kingston Chamb. Lease	375
625-20-06 Farmers Market	364
625-20-08 WSDOT Land Lease	211,256
625-20-09 Reader Board	1,075
625-20-10 Kitsap Transit	24,373
625-22-01 Liveaboard	33,400
626-40-00 Gas Sales	285,749
626-45-00 Diesel and Oil Sales	
626-45-01 Diesel w/o Tax	244,160
626-45-00 Diesel and Oil Sales - Other	237,294
Total 626-45-00 Diesel and Oil Sales	<u>481,454</u>
629-00-00 Misc Income w/o tax	
629-00-02 Public Records Copy	0
629-00-00 Misc Income w/o tax - Other	10,580
Total 629-00-00 Misc Income w/o tax	<u>10,580</u>
629-10-00 Misc Income w/tax	637
629-11-00 Retail Non Taxed	1,250



Budget 2021

629-11-01 Retail Taxed	965
651-03-61 Operating Grants	0
699-10-00 Interest Income	13,818
699-20-00 Property Tax Receipts	218,000
699-22-00 Timber/Lshld Exc Tx	2,367
699-90-00 Service Chg Revenue	28,729
Parking	
625-20-01 Parking	203,864
625-20-02 Parking Tickets	6,670
625-20-03 Commuter Park Tenant	3,813
625-21-01 Leased Parking	79,588
625-21-03 Truck Trailer Pass	1,791
Parking - Other	37
Total Parking	<u>295,762</u>
Total Income	3,119,470
Cost of Goods Sold	
626-10-10 Retail Expense	-48
626-40-10 Fuel Purchases	279,244
626-40-20 Invtry Variation-Fuel	17,474
626-40-30 Fuel Credit Card Fees	9,230
Total COGS	<u>305,900</u>
Gross Profit	2,527,821
Expense	
510-40-00 Lindvog SR104 Project	0
721-10-00 Salaries and Wages	776,508
721-20-00 Employee Medical	267,599
721-22-00 Pension Expense	99,157
721-33-00 Accounting	20,462
721-34-00 Audit	14,939
721-35-00 Consulting Fees	28,643
721-40-00 Operating Supplies	59,885
721-41-00 Office Supplies	20,628
721-41-01 Computer Supplies/Exp	3,022
721-42-00 Parking Lot Expense	21,991
721-50-00 Equipment Rental	6,923
721-72-00 Travel	812
721-73-00 Insurance	108,000
721-74-00 Advertising and Promo	30,800
721-74-01 Events	1,326
721-75-00 Dues & Publications	30,361
721-76-00 Training & Education	17,012



PORT OF KINGSTON

Budget 2021

721-76-01 Commis Travel/trainin	4,287
721-81-00 Utilities	0
721-81-01 Water	27,754
721-81-02 Sewer	37,387
721-81-03 Garbage	9,781
721-81-04 KC Strmwtr Mngmnt Fee	8,470
721-81-00 Utilities - Other	4,054
Total 721-81-00 Utilities	87,446
721-82-00 Electricity	54,075
721-88-00 Telephone/Internet	16,670
721-90-00 Payroll Taxes	84,949
721-93-00 Excise & Prop Tax Exp	12,729
721-95-00 Office Ccard Fees	39,831
721-96-00 Miscellaneous	0
721-96-01 Landscaping	7,406
721-96-03 Storage	4,110
Total 721-96-00 Miscellaneous	11,516
721-97-00 Penalties and Fines	1,508
723-00-00 Repairs & Maint	81,264
724-00-01 Environmental Inspect	7,351
781-10-00 Commiss Comp	32,768
799-91-10 Intrst Exp-17 Rev Bnd	27,479
799-92-00 Election Expense	2,809
998 Uncategorized Expenses	0
999 Over/Short	-86
Bank Service Charges	191
Legal	0
721-31-00 Chmelik Sitkin, Davis	25,880
Legal - Other	0
Total Legal	25,880
Total Expense	1,998,733
Net Ordinary Income	529,089
Other Income/Expense	
Other Expense	
727-00-00 Depreciation	644,370
Total Other Expense	644,370
Net Other Income	-644,370
Net Income	-115,281



Capital Plan Improvement Plan Overview

The 2021 Capital Improvement and Recreational Plan reflects all currently identified projects for the next 5 years and current sources of funding to achieve these goals. The current plan is focused only on existing portfolio of assets and the primary emphasis is on repair and replacement of existing assets to preserve current revenue streams. We anticipate this plan may be modified as we undertake a planning process this coming year. It is anticipated that uplands development will begin to come together as efforts to jumpstart economic development unfold.

Secondly, the current budget does not rely on outside sources of funds to accomplish these capital investments except for the Guest Bathroom project. Instead, capital projects are relying on current cash reserves and future net ordinary income to fund these improvements. Staff will submit for grants for these projects that qualify.

Last year, port staff expected that the port would need to dredge the marina based on previous work done under the last dredge effort. Subsequent due diligence by outside engineering firms have demonstrated that the scope of dredge work has decreased significantly from previous years as sedimentation of the marina has subsided. Projects for 2021 include examination and permitting for piling replacement; repair of the guest dock, dredge permitting, bulkhead repair, and rock removal under the Guest Dock. Replacement of the Guest bathrooms is currently in question since grant funding is uncertain. Because of the pandemic and given that the recovery period is unknown, we have not pursued event tent replacement or projects that can be placed on hold.

The Capital Improvement and Recreational Plan will evolve with future Commission and public review during the coming year. A strategic planning effort is expected to take place with widespread community input during 2021 as well.



Capital Improvement Plan Overview

CAPITAL PROJECT	PROJECT NO.	Phase	2021	2022	2023	2024	2025	TOTAL COSTS
Piling Replacements - Assess / Program / Permits	17	A	5,000					5,000
Guest Dock Repair	45		5,000					5,000
Fast Ferry Non-Slip Access	46		7,000					7,000
Washington Blvd. Properties Development - Planning	41	A	10,000					10,000
Dredge Permitting	5	A	15,000					15,000
Bulkhead Repair (D-Dock)	19	A	15,000					15,000
Finger Pier Improvements (re-float) - Feasibility & Testing	14	A	20,000					20,000
West Kingston Properties Development - Survey and Planning	40	A	25,000					25,000
Aquatic Lands Development - PMA Survey and Modification	42	A	25,000					25,000
Rock Removal Under Guest Dock	37		30,000					30,000
Public Restrooms (Middle) - Replacement - Design, Permitting & Cost Est.	9	B	35,000					35,000
Public Restrooms (Middle) - Replacement - Construction	9	C	65,000	350,000				415,000
Public Parking Improvements - Crack Seal	7	B		35,000				35,000
Event Tent Purchase	8			10,000				10,000
Building Bird Deterrents	16			50,000				50,000
Tenant (Office) Restrooms - upgrade/accessibility - Scope / Design	15	A		15,000				15,000
Diesel Pump and Dispenser	38	A		15,000				15,000
Marina Expansion (Planning)	44	A		10,000				10,000
Bulkhead Repair (General)	19	B		15,000	15,000	15,000	15,000	60,000
Finger Pier Improvements (re-float) - Programmatic Implementation	14	B		50,000	50,000	50,000	50,000	200,000
Piling Replacements - Annual	17	B		50,000	50,000	50,000	50,000	200,000
Public Parking Improvements - Seal Coat / Restripe (post stormwater project)	7	C		50,000				50,000
Guest Dock Rebuild / Breakwater Repair	43	A		500,000				500,000
Tenant (Office) Restrooms - upgrade/accessibility - Permit & Construct	15	B			50,000			50,000
Public Fishing Pier- Repair & Replacement	22				50,000			50,000
Dredge Marina	5	B			100,000			100,000
Sailing float - Replacement (RCO)	10				150,000			150,000
Fast Ferry Barge (R&R)	39				300,000			300,000
Build permanent structure to replace Event Tent	26					300,000		300,000
Underground Storage Tank Replacement	29						350,000	350,000
TOTAL			257,000	1,150,000	765,000	415,000	465,000	3,052,000



Regular Tax Levy

The Kitsap County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1st on prior year property values within the port district only. Assessed values are established by the Kitsap County Assessor at 100% of fair market value. Taxes are due in two equal installments on April 30th and October 31st. Collections are distributed to the Port by the Treasurers' office.

The Port is permitted by law to levy up to \$0.45 per \$1,000 of Assessed Valuation for general Port purposes. The levy may go beyond the \$0.45 limit to provide General Obligation debt service. The rate may be reduced for either of the following reasons:

- Washington State Law in Revised Code of Washington 84.55.010 limits growth of regular property taxes to 1% per year, after adjustments for new construction.
- If the assessed valuation increases by more than 1% due to revaluation the levy rate will be decreased.

The budgeted levy of \$217,622 reflects a rate of almost \$0.16 per \$1,000 (out of a possible \$0.45 per \$1,000) of the Port district's preliminary total assessed value and is a 1% increase over the prior year's levy.

Special Tax Levies

Special levies approved by the voters are not subject to the above limitations. The Port can levy property taxes for dredging, canal; construction, leveling or filling upon approval of the majority of voters with the Port District, not to exceed \$0.45 per \$1,000 of assessed Value of taxable property within the Port District.

Industrial Development District Tax Levies

The Port may also levy property taxes for an Industrial Development Districts (IDD) under a comprehensive scheme of harbor improvements), for two multiyear levy periods only. The levy may not exceed the sum of \$2.70 per \$1,000 of Assessed Value for taxable property in the Port District for taxes collected in the base year and the maximum allowable amount that could have been collected under the RCW 84.555.010 for the first six collection years of the levy period. The levy period may not exceed twenty years from the date the initial levy is made, and the levy rate in any year may not exceed \$0.45 per \$1,000 of the Assessed Value. If a Port District intends to levy this tax over a second multiyear period, then the port must publish notice of intent to impose such a levy, and if signatures of at least eight percent (8%) of the voters protest the levy, a special election must be held with a majority approval required. The Port District has not levied this tax yet and the Port Commission is likely to pass a resolution stating they will pursue this alternative for the first time.

Tax Levy Uses

The Port Commission has directed by resolution that the funds collected by the tax levy will be used exclusively for marina capital improvements and are deposited in the Marina Reserve Fund. Other potential uses of taxes include property acquisition, industrial development including environmental costs, debt service for general obligation bonds, and public access improvements. The 2021 budget allows for a continuation of these funds to go toward the repair and replacement of the marina.



Long Term Debt 2021

Limited Tax General Obligation Bonds

Limited Tax General Obligation (LTGO) bonds are general obligations of the Port payable from general (ad valorem) taxes, subject to certain constitutional and statutory limitations. The Port plans long-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue and funding, capital construction periods and market conditions that affect discount rates. The funds generated by the bonds to pay for the capital improvements must be paid back over the economic life of the capital improvements that they fund.

Outstanding Limited Tax General Obligation bonds; LTGO bond balance is \$850,000 as of December 31, 2020. The interest income from our reserve funds hovers around 1%. The coupon rate will increase to 2.2% in 2021. We will likely pay off this debt as soon as reserve targets are met for the Port. Target is end of 2023 or sooner.

