



**SEA THE
FUTURE
WITH US**

2023 Budget & Public Hearing

Eric Russell | Chief Financial Officer

November 1, 2022



@portofeverett | #portofeverett



2022 **Accomplishments**

- **Completed:**

- The new, 40-acre Norton Terminal and upland environmental cleanup
- Blue Heron Slough Conservation Project
- BayWood Cleanup and Trail
- Boat Launch and connector channel dredging
- Jetty Landing Restroom
- Mukilteo Parklet

- **Broke ground on:**

- A8 Restaurant
- A17 Restroom and Retail
- Port Gardner Landing Restaurants
- Historic Weyerhaeuser Building Renovation
- Millwright Loop Road
- Marina Fuel Tank Relocation
- South Marina Gate Replacements & ADA Improvements

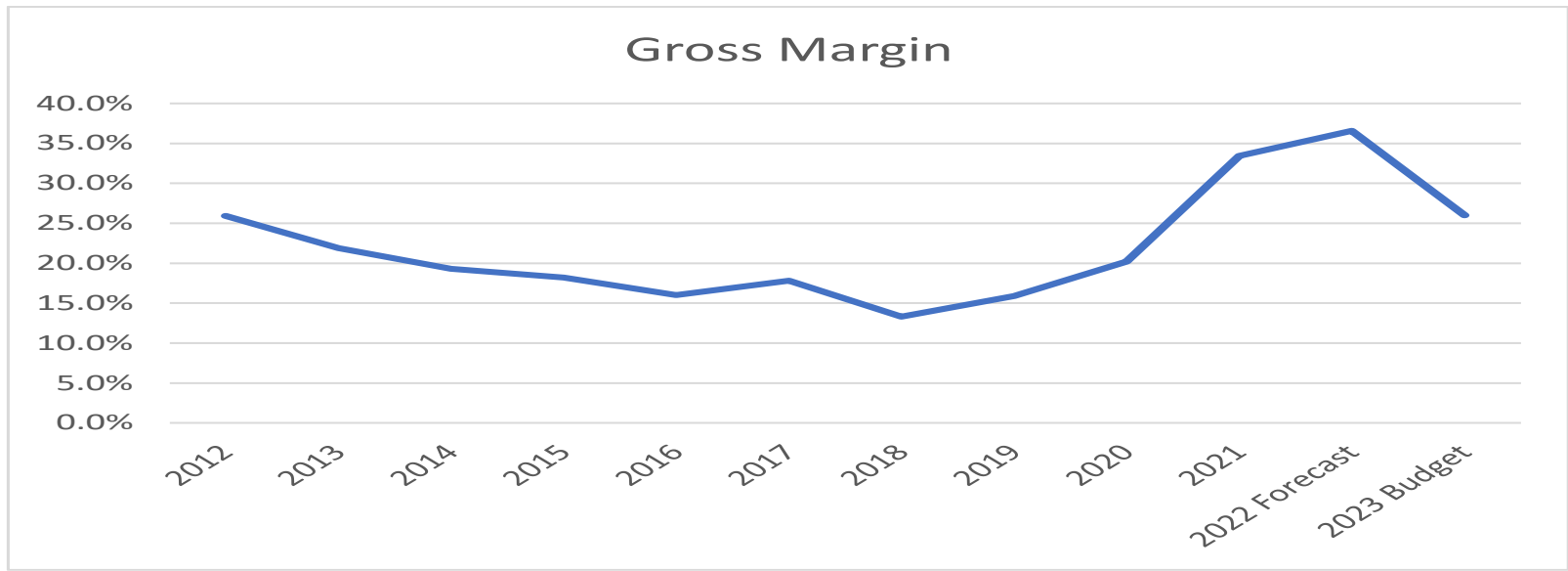
- **Acquisition**

- Purchased former Washington State Ferries holding lanes for future Mukilteo waterfront development

2023 BUDGET

Operating Assumptions

- No increase aerospace activity from 2021 levels
- Steady activity at Seaport
- Norton Terminal open
- Strong demand for moorage during peak season at Marina
- Other lease property remains fully occupied
- New buildings online
- Continued tight insurance market
- Employee count increase



2023 BUDGET

2023 Total Budget

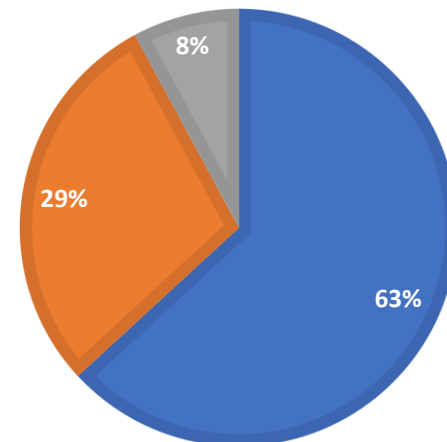
Operating	31,731,428
Non-Operating	9,360,737
Capital	25,751,658
Total Budget	66,843,822

2023 Headcount

Seaport	38
Marina	54
Properties	4
Admin	31
Total	127

2023 BUDGETED REVENUE BY BUSINESS LINE

■ Seaport ■ Marina ■ Properties



2023 OPERATING BUDGET



CONSOLIDATED

	2021 Actual	2022 Budget	2022 Est YE	2023 Budget	2023 DRAFT Budget to 2022 Budget		2023 DRAFT Budget to 2022 Est YE	
					Variance	% Diff	Variance	% Diff
Operating Revenue								
Seaport	31.8M	16.4M	43.3M	27.1M	10.7M	64.9%	(16.2M)	-37.5%
Marina	11.4M	11.7M	12.1M	12.4M	.7M	6.0%	.4M	3.1%
Property Management	3.4M	3.3M	3.3M	3.4M	.1M	1.8%	.0M	1.3%
Total Operating Revenue	46.6M	31.5M	58.7M	42.9M	11.4M	36.3%	(15.8M)	-27.0%
Operating Expenses								
Seaport	20.3M	12.7M	24.8M	17.9M	(5.1M)	-25.3%	7.0M	54.6%
Marina	5.3M	6.4M	6.8M	7.4M	(1.0M)	-18.2%	(.6M)	-8.7%
Property Management	2.1M	1.7M	1.3M	1.9M	(.2M)	-11.4%	(.6M)	-36.2%
Admin	3.3M	4.5M	4.3M	4.6M	(.1M)	-3.2%	(.3M)	-6.3%
Total Operating Expense	31.1M	25.3M	37.2M	31.7M	(6.5M)	-20.8%	5.5M	21.8%
Income before Depreciation	15.6M	6.2M	21.5M	11.1M	4.9M	80.0%	(21.3M)	-99.4%
Depreciation	13.7M	14.1M	13.8M	14.1M	(.1M)	-0.5%	(.3M)	-2.4%
Operating Income	1.9M	(7.9M)	7.7M	(3.0M)	4.9M	-62.0%	(21.0M)	-274.2%
Nonoperating Income and Expense								
Total Nonoperating Revenue	5.2M	5.2M	5.4M	5.3M	.0M	0.4%	.1M	2.1%
Total Nonoperating Expense	4.5M	4.6M	3.9M	4.3M	.3M	6.4%	(.0M)	-1.1%
Net Nonoperating Income	.7M	.6M	1.5M	.9M	(.3M)	-45.6%	.2M	25.6%
Net Income	2.6M	(7.2M)	9.2M	(2.0M)	(5.2M)	-200.3%	(20.8M)	287.6%

2023 BUDGET

Operating Numbers

Revenue = \$42.9M

Expense = \$31.7M

2022 Budget vs 2023 Budget

- 36.3% increase in revenues
- 25.6% increase in expenses
- Operating Margin increased 32.1%

2022 Estimated Year End vs 2023 Budget

- 27.0% reduction in revenues
- 14.8% reduction in expenses
- Operating margin decrease 28.9%

2023 CIP Budget

Project Assumptions

- Seaport Modernization (\$4.4M)
 - Complete construction of Norton Terminal
 - Mill A
 - Master Planning
- Creating a New Waterfront Community (\$9.7M)
 - Ground lease retail projects move forward (PGL, A12, A6)
 - Millwright Loop Road east
 - Destination Retail
- Taking Care of Our Facilities (\$3.6M)
 - Seaport bulkhead renovation
 - South Marina Covered Roofs
 - Fire Damage Repair

2023 CIP BUDGET

Project Assumptions (continued)

- Sustainable Marina Operations (\$2.7M)
 - Move Fuel Tanks
 - Marina Maintenance Shop
- Economic Development (\$1.4M)
 - Blue Heron Slough completed
 - Environmental cleanup projects
- Other (\$2.9M)
 - Cargo handling equipment and rolling stock
 - Boat Launch Rinse facility improvements

Capital Investments

\$25.7m gross in 2023

\$75.3m from 2023 – 2027

2023 CIP BUDGET

Financing Plan

- \$830K decrease in cash during 2023
- Assumption:
 - Additional debt due to loan for cargo handling equipment, construction of Millwright Loop Road
 - Refinance and extend term of 2013 LTGO
 - Possible new LTGO debt of \$5M

Risks

- Recession resulting in less revenue
- Loss of discipline on spending

Opportunity for accelerating projects, with Commission approval, if cashflow increases or grants are secured

FINANCING PLAN

	2023	2024	2025	2026	2027	
Beginning Cash Balance 1/1/XX (net of reserves)	6.4	5.6	1.9	2.2	10.3	
Operating Cash	11.1	11.7	12.2	12.9	13.7	
Non-Operating Cash	4.8	4.9	4.9	5.0	5.0	
Additional Cash Receipts (property sales, grants)	.0	2.0	2.0	2.0	2.0	
Net Debt Transactions	(3.8)	(9.4)	(8.7)	(8.6)	(7.4)	
Cash Available for Projects	18.5	14.7	12.4	13.5	23.5	
Project related Grants / Loans / Contributions	12.8	17.8	2.8	.0	.0	
Capital Projects	(25.8)	(30.5)	(12.9)	(3.3)	(2.8)	
Ending Cash Balance 12/31/xx (net of reserves)	5.6	1.9	2.2	10.3	20.7	
						In millions
Revenue Bond D/S coverage ratio (Available cashflow)	4.41	4.49	4.68	4.91	7.99	Covenant 1.35
Revenue Bond D/S Coverage ratio (Op Cashflow only)	3.47	3.65	3.82	4.04	6.62	Guidelines minimum 2.0
D/S coverage ratio (all revenue debt payments incl lease payments)	2.13	2.22	2.64	2.77	2.91	Covenant 1.00

2023 – 2027 **FINANCING PLAN**

Grants

- OLDCC (Fuel Tanks and Dock) - \$4.9M
- MTCA - \$3.5M
- PSRC (Segment E) - \$1.9M

Loans

MTCA Clean-up match

Snohomish County Treasurer - Millwright Loop Road -

Rail Bank Loan - Equipment Purchases

LTGO refunding and issuance in 2023

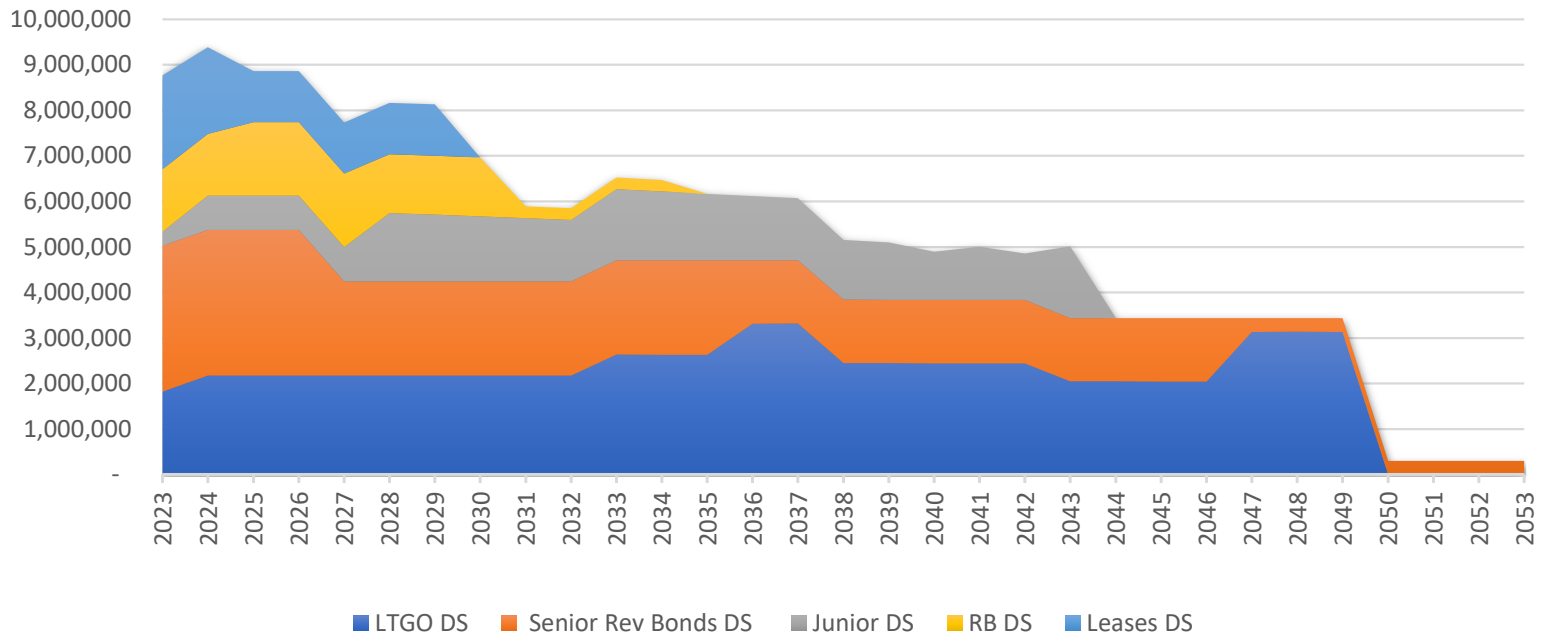
Other

Boat Launch Partner contributions

Insurance Claims

DEBT FORECAST

Debt Service



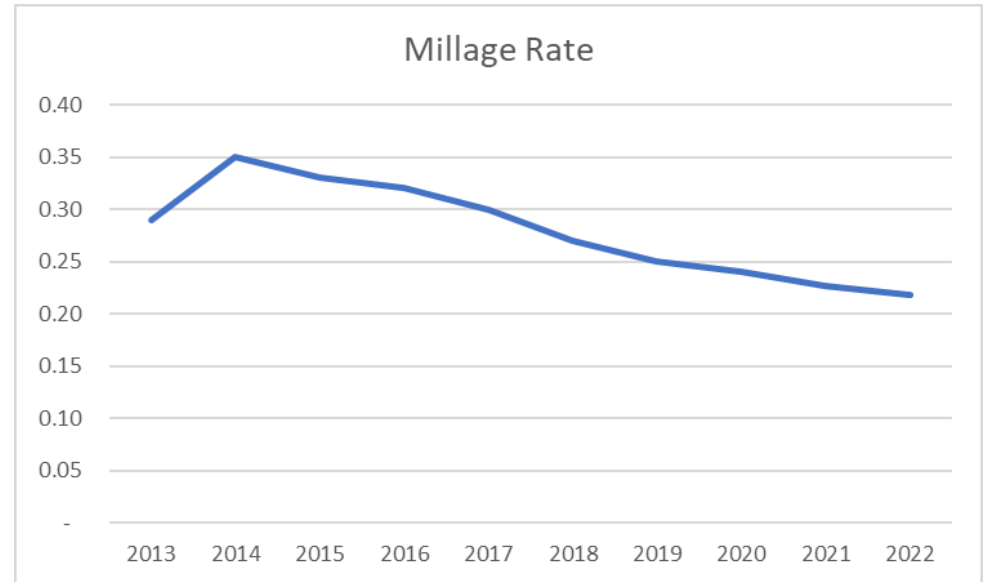
PROPERTY TAX

Ports authorized to levy up to \$.45 per thousand

Used for:

- Environmental Remediation
- Public Access
- Debt Service

General Obligation Bonds
have lien on tax levy



Estimate levy at \$5.35m (increase \$52,149 over 2022) plus
new construction and other adjustments

Levy rate estimated at \$.184/1000, down from \$.22/1000

(tax on \$550,000 house would be \$101.45, approximately \$20 less than
2022)

BUDGET **APPROVAL**

October 23 and 30

- Advertised for Public Hearing

November 1

- Post draft budget and Citizen Budget Guide on website

November 1

- Open Public Hearing for comments
 - Continue Public Hearing until November 8

November 8

- Close public hearing
- Consider adoption of budget resolutions
 - Resolution 1197 (2022) – 2023 Property Tax Levy
 - Resolution 1198 (2022) – Substantial Need for Property Tax Levy
 - Resolution 1199 (2022) – 2023 Operating Budget and 2023-2027 Capital Improvement Plan

December 1 deadline to file budget with Snohomish County