


# Port of Newport Financial Review

February 26, 2019

Financial Review | CFO Selections | Todd Kimball, CPA

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## Agenda

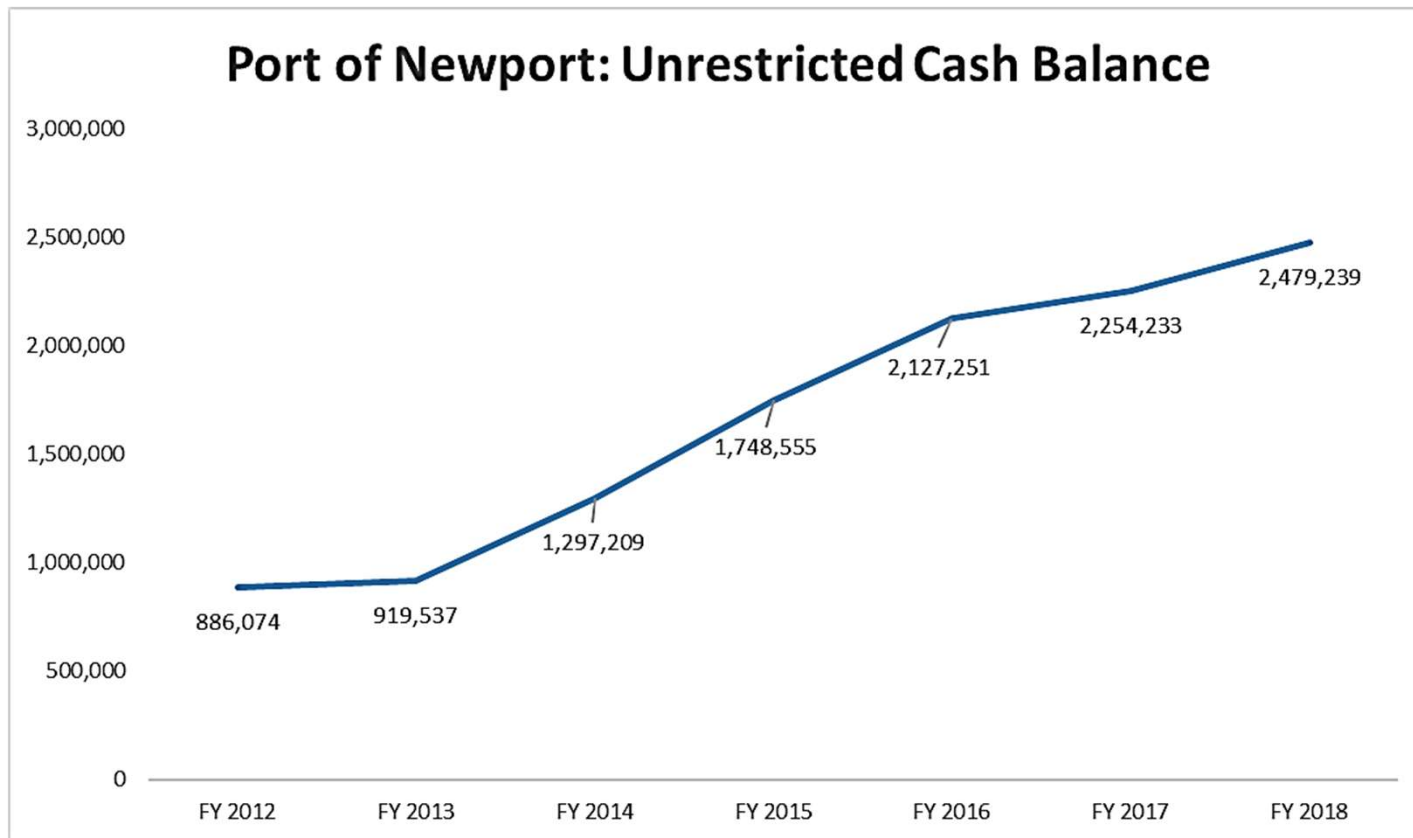
- PON 5-year financial trends – Updated thru FY 2018
  - Update on NIT financial revenues
  - PON Business Unit Profit & Loss
  - Summary & Recommendations
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## Port of Newport – Financial trends

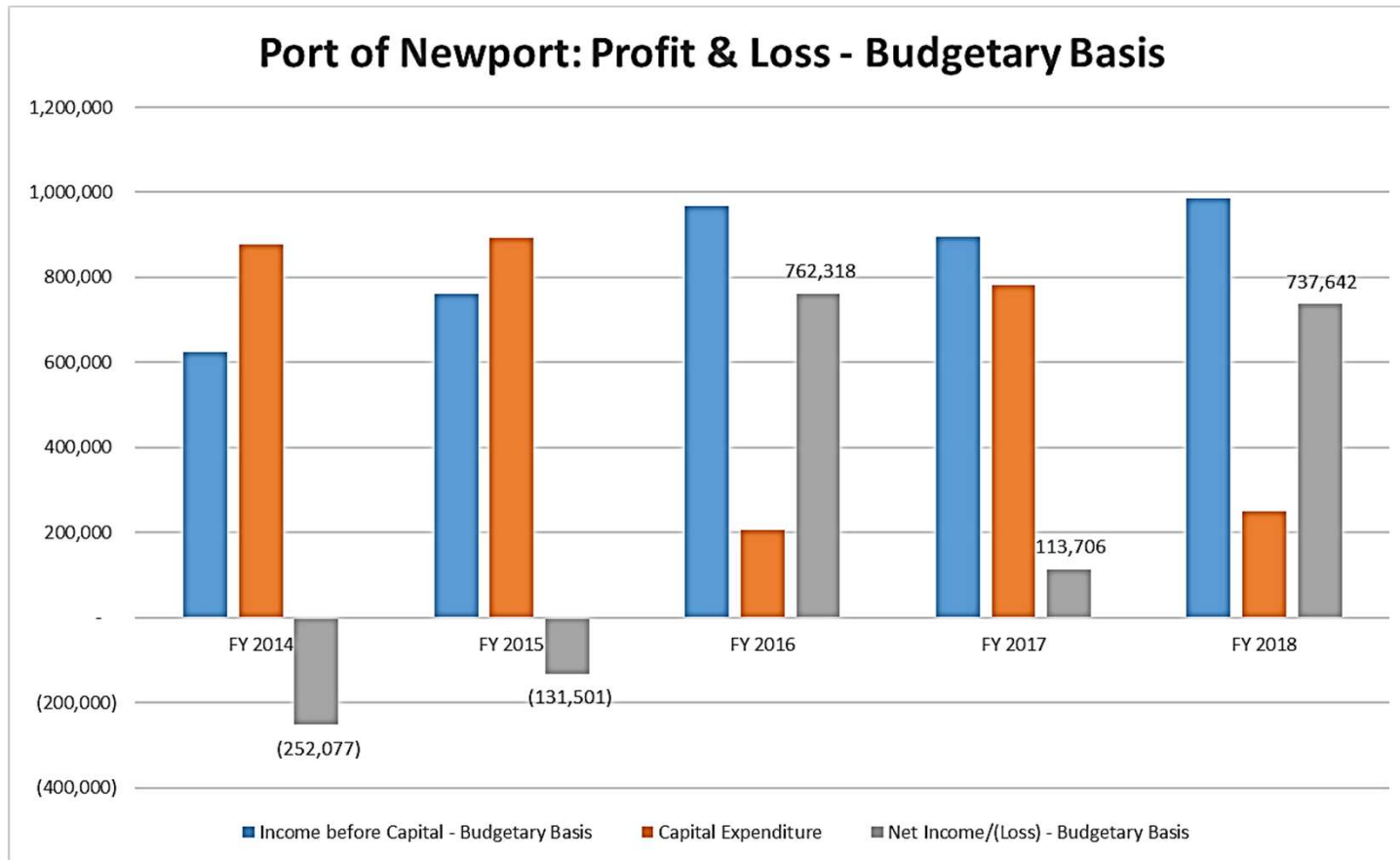
- The Port has had Operating Loss in 3 of the 5 last years, with a 5-year total of \$671K negative income.
- 2018 had a net operating gain of \$14,847, the first gain in 4 years. Driven primarily by sharp increases in revenue.
- Revenues increased 6.5% (\$390K), and Expenses increased 1.42% (\$90K).
  - RV Park Revenues increased \$183K, or 23.3%.
- However, PON continues to have a non-operating loss:
  - Generally Property Tax Revenues + Grant Revenue > Interest Expense
  - PON: Interest Expense exceeds Property Tax + Grant Revenue by \$775,000.
  - There have been non-operating losses in 6 of the last 7 years.

## Port of Newport – Financial trends

- Capital Assets are much higher than comparative Ports and conversely long-term debt is also much higher.
- Days of cash on hand:
  - PON = 514 days, vs. 2016 Port Average = 280 days
- Current ratio (current assets vs. current liabilities)
  - PON = 3.52, vs. 2016 Port Average = 2.16
- Port of Newport is highly leveraged
  - PON has leveraged its assets and committed itself to be productive with those assets.
  - Margin for error is thin, and risks are higher during an economic downturn. Cost reduction options are limited.

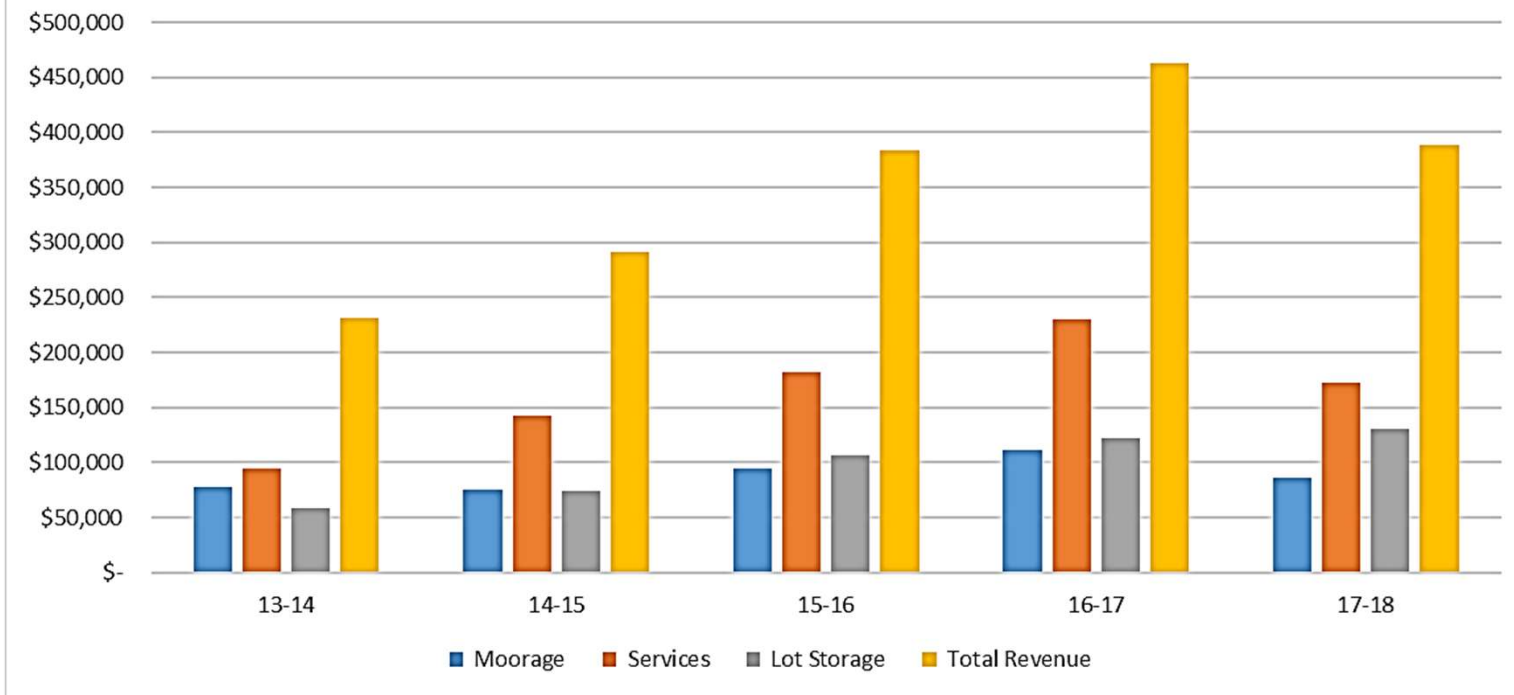


\* Diagram only includes Unrestricted cash balances. The Port also holds restricted cash of approximately \$5.5M for the NOAA facility (Debt Service and capital maintenance reserve). The amounts represented are balances as of June 30 for the respective year.



\* Figures are calculated from revenues in excess of expenses from the Port's Budgetary statements. The numbers include operating revenues and expenses, and debt service payments. Therefore, this graph represents the amount of funds available for capital improvements and discretionary spending.

## NIT Revenue 5-Year Trend



2018 Operating Revenue declined by \$75K from 2017, and Operating Expenses increased by \$25K, resulting in an operating gain of \$100K less than 2017.

## Profit & Loss Statement – by Business Unit

	Total South Beach	Commercial Marina	International Terminal	Admin & Property Mgmt	NOAA	TOTAL
<b>Income</b>						
Lease Revenues	-	-	-	684,094	2,532,759	3,216,853
Allocated Lease Revenues	427,225	131,113	125,756	(684,094)		0
Moorage	811,131	418,174	85,602	2,016		1,316,923
Hoist Dock & Services	5,756	375,915	283,872	5,444		670,987
Shipping Terminal Revenues	-	-	15,181	-		15,181
RV Parks	969,120	-	-	-		969,120
Launch Ramp & Trailer Storage	78,812	-	-	-		78,812
Bond Levy Proceeds			979,012			979,012
Miscellaneous Revenue	75,916	2,861	3,685	29,316		111,778
<b>Total Operating Revenues</b>	<b>2,367,960</b>	<b>928,063</b>	<b>1,493,108</b>	<b>36,776</b>	<b>2,532,759</b>	<b>7,358,666</b>
<b>Expense</b>						-
Personnel Services	398,058	255,310	72,412	456,854	70,552	1,253,186
Materials & Services	624,424	381,618	128,635	404,782	238,408	1,777,867
Debt Service	214,088	13,551	1,329,057	47,802	2,001,734	3,606,232
<b>Total Operating Expenses</b>	<b>1,236,570</b>	<b>650,479</b>	<b>1,530,104</b>	<b>909,438</b>	<b>2,310,694</b>	<b>6,637,285</b>
<b>Net Operating Income</b>	<b>1,131,390</b>	<b>277,584</b>	<b>(36,996)</b>	<b>(872,662)</b>	<b>222,065</b>	<b>721,381</b>
<b>Other Income</b>	<b>19,421</b>	<b>26,500</b>	<b>1,003</b>	<b>119,715</b>	<b>13,932</b>	<b>180,571</b>
<b>Other Expense</b>						-
<b>Net Income before Capital Reserve</b>	<b>1,150,811</b>	<b>304,084</b>	<b>(35,993)</b>	<b>(752,947)</b>	<b>235,997</b>	<b>901,952</b>
<b>Estimated Annual Capital Reserve</b>	<b>690,000</b>	<b>730,000</b>	<b>60,000</b>	<b>50,000</b>	<b>200,000</b>	<b>1,730,000</b>
<b>Net Income before Admin Alloc</b>	<b>460,811</b>	<b>(425,916)</b>	<b>(95,993)</b>	<b>(802,947)</b>	<b>35,997</b>	<b>(828,048)</b>



## Profit & Loss Statement – by Business Unit

- 2017-18 Profit & Loss Statements (Modified Accrual & Unaudited)
- Allocated lease revenues based on geographical location and removed from Admin (yellow)
- Shifted the Bonded Debt fund to NIT (green)
- Removed current year capital expenditures and inserted estimated annualized repair and replacement costs (based on master Capital Projects list, annualized over 20 years) (blue)

## Profit & Loss Statement – by Business Unit

- Net Operating Income before Capital Reserve (orange)
  - Clearest picture of Cashflow before Capital
    - Best performing are South Beach, and then Commercial Marina
    - Poorest performing is NIT
    - ...Improvements were made here (increasing costs), and ROI is inadequate
- Estimated Annual Capital Reserve (blue)
  - Estimate based on master Capital Projects list, annualized over 20 years
    - Best performing, NIT
    - The most deferred maintenance at South Beach & Commercial Marina

## Recommendations

- Implement a process whereby capital improvement projects undergo a financial review, prior to approval.
  - One criteria for projects selected should be based on it's anticipated Return on Investment and its expected Payback Period. Other criteria may include safety, compliance, or other Port determined necessities.
- Additional effort appears necessary to secure State & Federal grant funds.
- Continue efforts to seek business opportunities that fully utilize the NIT.
  - The asset is currently a significant under-performing investment.

Questions?