

I. FINANCIAL PLAN

This section describes the financial situation of the Port of Woodland and provides a six-year forecast of the Port's finances.

A. HISTORICAL PERFORMANCE

This section of the financial plan summarizes the Port's recent financial history and current budget.

A.1 Fund Structure

The Port operates with one fund, the General Fund. The main funding sources for the Port are ad valorem taxes, land and building rental incomes as well as other miscellaneous operating and non-operating revenues. The Port also receives occasional grant revenues and receives a nominal amount of interest revenue. Aside from these four sources the Port has received variable grants and funding over the years from miscellaneous sources.

A.2 Historical Performance

Since the fiscal year ending December 31, 2012, the Port has maintained good fiscal health, achieving an ending fund balance of around \$1 million in each of the last three budget cycles. Port operating revenue has been relatively stable since 2012. Non-operating revenue, however, has fluctuated slightly during that period.

Port expenditures are variable year to year. The only listed operating expenditure for the Port is the general and administrative category which has stayed consistent, moving between \$737,114 and \$593,603. The non-operating expenditure side has fluctuated in the same period, given some volatility in capital asset purchases and principal payments on long term debts.

Exhibit 1 summarizes three years of historical cash flows and one year of budgeted expenditures for the Port's General Fund. The ending fund balance for each year is invested. This principal is the source of the interest payments in the non-operating revenue side and can be used to cover cost overruns such as in 2012 and 2014.

Exhibit 1: Budget History for the Port of Woodland

Year Ending 12/30:	Actuals 2012	Actuals 2013	Actual 2014	Budget 2015
Available Cash on Hand (Beginning Fund Balance)	1,236,757	1,004,020	1,417,609	\$ 965,390
Operations				
<u>Operating Revenues</u>				
Land Leases	191,452	187,680	195,895	147,995
Building Leases	382,065	442,142	438,777	508,978
Other	320,674	150,472	13,141	-
Total Operating Revenues	894,191	780,294	647,813	656,973
<u>Operating Expenses</u>				
General & administrative	737,114	593,603	609,183	579,486
Total Operating Expenses	\$737,114	\$593,603	\$609,183	\$579,486
<u>Operating Income</u>	\$157,077	\$186,691	\$38,630	\$77,487
Non-operating Revenues/Receipts				
Interest Income	2,106	1,592	878	1,000
General Purpose Taxes	205,548	201,894	203,335	200,000
Timber & Other Taxes	33,519	15,601	20,363	15,000
Disposal of capital assets	-	-	-	231,161
Purchase of capital assets	(503,687)	(53,915)	(14,600)	(365,475)
Principal paid on long term debt	(134,905)	(141,060)	(1,063,321)	-
Interest paid on long term debt	(78,969)	(72,814)	(30,010)	-
Rural County Public Facilities Fund		60,000		
From Pass-through Awards		130,017		
Extraordinary/Special Items			385,000	
Interlocal Grantors	10,000			
Other revenues	76,574	85,583	86,780	96,365
Other Expenses	-	-	(79,274)	(205,874)
<u>Total Non-operating Revenues/receipts</u>	-\$389,814	\$226,898	-\$490,849	-\$27,823
<u>Net increase in cash and investments</u>	(232,737)	413,589	(452,219)	49,664
Ending Balance	\$1,004,020	\$1,417,609	\$965,390	\$1,015,054
Days of Operating Reserve	498	872	579	640

Source: Annual Report Certification Port of Woodland (prior years)

The port has maintained a healthy ending fund balance with reserves equal to more than one year's total expenditures from FYE 2012 to FYE 2014 as well as a budgeted ending fund balance which could cover more than one year in FYE 2015.

B. ANALYSIS

This section of the financial plan analyzes port expenditures and revenues, highlights financial issues facing the Port, and provides six-year forecasts for capital planning purposes.

B.1 Historical Revenues/Expenditures

Historical revenues and expenditures for the port, as noted above, have been variable dependent on the year. As shown in **Exhibit 2**, revenues and expenditures vary in previous years largely because of non-operating portions of expenses.

	2012	2013	2014	2015 *
Revenues	\$1,221,938	\$1,274,981	\$1,344,169	\$1,200,499
Operating Revenues	\$894,191	\$780,294	\$647,813	\$656,973
Non-Operating Revenues	\$327,747	\$494,687	\$696,356	\$543,526
Expenditures	\$1,454,675	\$861,392	\$1,796,388	\$1,150,835
Operating Expenditures	\$737,114	\$593,603	\$609,183	\$785,360
Non-Operating Expenditures	\$717,561	\$267,789	\$1,187,205	\$365,475

Source: Port of Woodland, compiled by FCS GROUP.

* Budgeted amounts

B.2 Ratios

Financial ratios can be used to benchmark the Port's operating performance over time (**Exhibit 3**).

Ratio of Operating Revenues to Operating Expenditures

Operating revenues should always exceed operating expenses. This has been the case for the Port of Woodland in the last three years. Historically, the Operating Revenue: Expense ratio has fluctuated from 1.04 to 1.31, but in the budget for FYE 2015, the ratio is anticipated to decline below 1.0, which means the Port will have to depend upon property and building rental revenues, along with other resources, to meet some of its operational requirements.

Ratio of Property Tax to Operating Revenues

The ratio of property tax revenue to operating revenue reflects how much a port is dependent upon property tax collections. A low ratio indicates that a port is relatively self-sufficient and has other means (e.g, property and building rental revenues) to sustain operations. As indicated below, the Port's property tax revenue ratio has generally covered 23% to 31% of its operations. The Port of Woodland's reliance on property tax revenues is very low when compared to other ports. This is an encouraging sign because it indicates that the Port is diversified and has the ability to lean on multiple resources for the revenue it needs.

	2012	2013	2014
Operating revenues to operating expenditures	1.21	1.31	1.06
Ad Valorem tax revenue to operating revenues	0.23	0.26	0.31

Source: Port of Woodland compiled by FCS GROUP.

B.3 Debt

According to Port documents, the Port had almost \$1.1 million of long term debt at the close of 2014 (**Exhibit 4**).

Exhibit 4: Port of Woodland Debt Service Payments end of 2014					
General Obligations	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Building 6	4/30/2026	\$274,753	\$0	\$16,895	\$257,858
Building 6 Expansion	4/30/2022	\$152,495	\$0	\$152,495	\$0
Lot 4 Project	12/1/2028	\$381,125	\$0	\$381,125	\$0
Lot 4 Project/CERB	7/31/2029	\$538,516	\$0	\$31,204	\$507,312
LTGO Refunding Notes, 2014	12/1/2017	\$0	\$385,000	\$70,000	\$315,000
Total General Obligations	-	\$1,346,889	\$385,000	\$651,719	\$1,080,170
Revenue Obligations	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Property/Taggart Contract	8/1/2018	\$184,843	\$0	\$184,843	\$0
Property/Sterling Bank	9/1/2020	\$226,759	\$0	\$226,759	\$0
Compensated Absences	-	\$8,959	\$2,738	\$0	\$11,697
Total Revenue Obligations	-	\$420,561	\$2,738	\$411,602	\$11,697
Total Liabilities	-	\$1,767,450	\$387,738	\$1,063,321	\$1,091,867

Source: Port of Woodland 2014 Annual Report Certification, compiled by FCS GROUP.

C. Financial Policy Objectives

This section of the financial plan summarizes the Port's financial goals and objectives. The Port currently has not adopted any financial goals or objectives. We assume that the Port desires to maintain its operations while maximizing monies available for capital projects. The recommendations and projections below are consistent with this assumption.

- ◆ **It is recommended that the General Fund maintain an operating reserve of 90 days of operating expenditures.** This reserve would be in addition to any reserve required by debt covenants.
- ◆ **It is recommended that the Port continue to charge lease rates and fees (to the extent possible) to recover 100 percent of the full cost of each service being provided.** The first steps in this direction would be performing a cost of service analysis and identifying the level of cost recovery currently being achieved for each service.

D. FORECAST

This section of the financial plan draws upon all prior sections to forecast resources and requirements for the Port's General Fund.

D.1 Key Assumptions

The projections that follow in **Exhibit 5** are based on the following assumptions:

1. Revenues and expenditures will be realized as budgeted in FYE 2015.
2. Interest income remains approximately \$1,000 to control for volatility in that category.
3. General Purpose/Ad Valorem taxes remain at \$200,000.
4. Timber & Other taxes consist of state forest board dollars and will remain around \$15,000 annually
5. Sales of sand and dirt will be inconsistent and, therefore, are zeroed out moving forward.
6. Grants will come in slowly, adjusted to receive about \$10,000 annually

7. Other Operating Revenues is held at \$15,000 to account for volatility in this category.
8. Interest on Long Term Debt represents the average of the recorded three years available to FCS GROUP in order to account for volatility in this category. The figure was rounded up.
9. Other expenses is the average of the 2014 record and the 2015 budget in order to account for volatility in this category. The average was rounded up to \$150,000

D.2 Projections

Exhibit 5 reflects a baseline forecast of Port resources and requirements for six years.

The Port's revenues are expected to exceed expenditures over the next five years, resulting in slightly higher projected annual fund balances, for the final two years of the analysis, however, expenditures are projected to outpace revenues.

This raises important policy questions and choices for the Port, such as:

- ◆ Are there ways that the Port can generate more sustainable long-term operating revenue in order to ensure positive ending fund balances in the near-term? and
- ◆ Are there any other means the Port has to raise funds through the sale or disposition of real property or other assets?

Exhibit 5: Port of Woodland Fund Projection

	Fiscal Year Ending 6/30:	Budget 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Available Cash on Hand (Beginning Fund Balance)		\$ 965,390	\$ 1,015,054	\$ 1,026,354	\$ 1,034,946	\$ 1,040,711	\$ 1,043,526	\$ 1,043,264
	Annual Growth Rate							
Operations								
Operating Revenues								
Land Leases	1.2%	147,995	149,703	151,430	153,177	154,944	156,731	158,540
Building Leases	1.0%	508,978	514,068	519,208	524,401	529,645	534,941	540,290
Other	0.0%	-	15,000	15,000	15,000	15,000	15,000	15,000
Total Operating Revenues		656,973	678,770	685,638	692,577	699,589	706,673	713,830
Operating Expenses								
General & Administrative	1.0%	579,486	585,281	591,134	597,045	603,015	609,046	615,136
Total Operating Expenses		579,486	585,281	591,134	597,045	603,015	609,046	615,136
Operating Income		77,487	93,490	94,505	95,532	96,573	97,627	98,694
Non-Operations								
Interest Income	0.0%	1,000	1,000	1,000	1,000	1,000	1,000	1,000
General Purpose Taxes	0.0%	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Timber & Other Taxes	1.0%	15,000	20,000	20,200	20,402	20,606	20,812	21,020
Disposal of Capital Assets		231,161	-	-	-	-	-	-
Purchase of capital assets	0.0%	(365,475)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Principal paid on long-term debt	3.0%	-	(150,000)	(154,500)	(159,135)	(163,909)	(168,826)	(173,891)
Interest paid on long-term debt	-1.0%	-	(61,000)	(60,390)	(59,786)	(59,188)	(58,596)	(58,010)
Extraordinary/special items	0.0%	-	10,000	10,000	10,000	10,000	10,000	10,000
Other revenues	1.5%	96,365	97,810	99,278	100,767	102,278	103,812	105,370
Other expenses	1.0%	(205,874)	(150,000)	(151,500)	(153,015)	(154,545)	(156,091)	(157,652)
Total Nonoperating revenues/receipts	0.0%	-\$27,823	-\$82,190	-\$85,912	-\$89,767	-\$93,758	-\$97,889	-\$102,163
Net increase in cash and investments		49,664	11,300	8,592	5,765	2,815	(262)	(3,469)
Ending balance		\$1,015,054	\$1,026,354	\$1,034,946	\$1,040,711	\$1,043,526	\$1,043,264	\$1,039,795
Days of Operating Reserve		640	641	639	637	632	626	617

Source: Port of Woodland, compiled by FCS GROUP.