

October 25, 2007

To the Port of Shelton Commission:

The Port Staff has prepared the attached operating, maintenance, and capital budget for the Port of Shelton for the fiscal year 2008.

The heart of the Port's mission is to make capital investments – particularly in infrastructure – that will benefit the public and the overall community by providing platforms for economic development. The Port has invested heavily in its business park development over the last decade, and has seen a threefold increase in its revenues as a result of this investment. More importantly, the Port provides a home for over 600 private sector jobs on its property or on adjacent parcels improved by its direct investments.

The Port has leveraged its financial and operating capacity greatly over the past decade. The dramatic increases in production have been realized with minimal increases in staffing. The Port had 6 FTE (full time equivalent) employees in 1998, and the budget for 2008 sets the staffing level at 12 FTE employees. Virtually all of the growth in staffing has been in the maintenance and planning areas, and there has been very limited overhead staff added. The Port is, and intends to remain, a very tightly run and efficient operation.

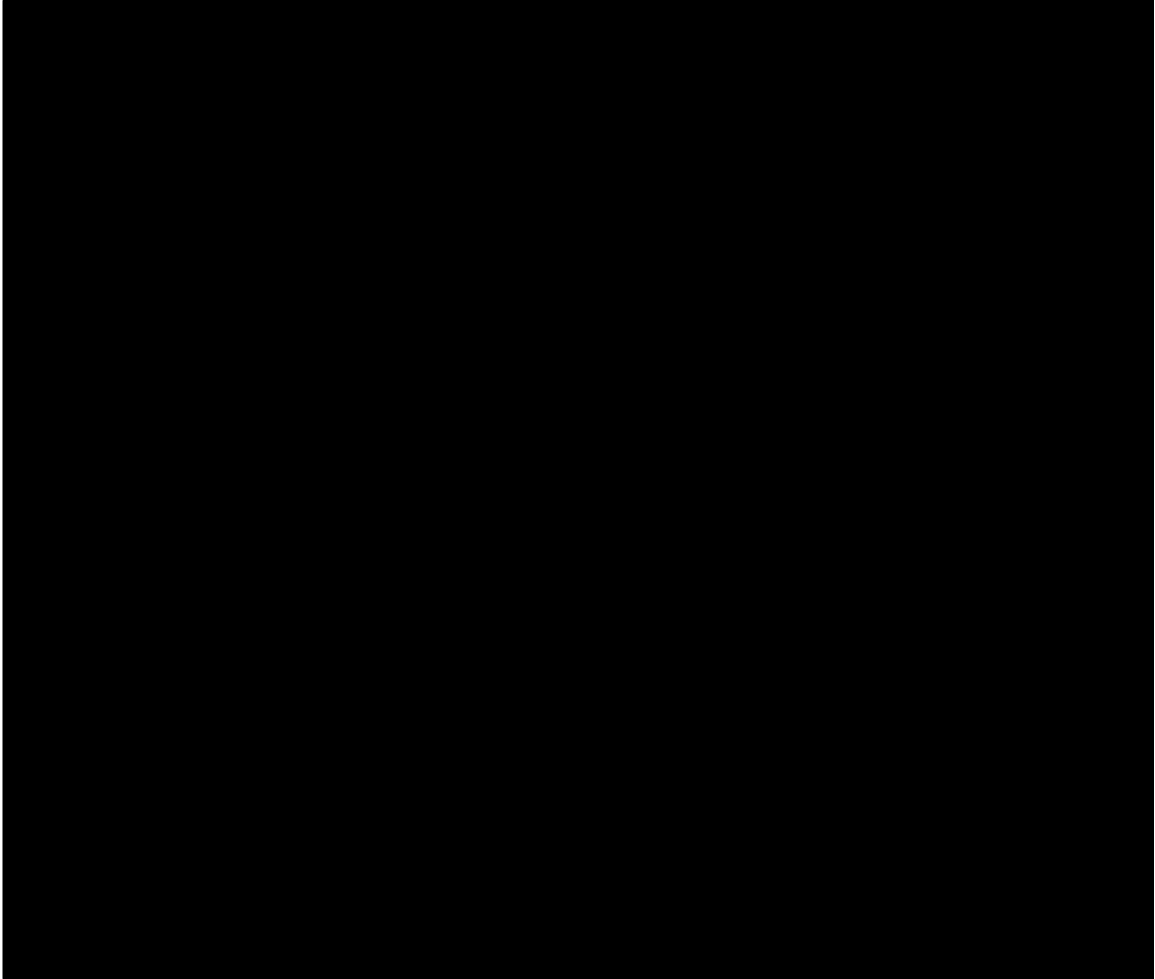
The Port has leveraged its tax levy capacity by securing certain debt instruments with a general obligation pledge. The Port does not anticipate issuing any additional debt in 2008, and repayment obligations of the current debt will be met by both operating and non-operating cash flow.

Capital Projects

In 2008, the Port proposes spending 68% of its capital budget on airport related facilities and improvements, 25% on marina related facilities, and the remaining 7% on general capital needs. This is a change in the priorities over past years, when most of the capital budget was spent on infrastructure and industrial development (building) projects.

The two large projects for 2008 are the marina improvement project (actually several projects in the listing below) and the airport hangar construction project. Both projects are designed to meet the existing demands being made on the Port's facilities. At the marina, development of the upland parcel adjacent to the marina facility will allow safer, and better, access to and use of the public marina facility. At the airport, the Port's hangars are completely full and there is a waiting list for new hangar tenants. The marina and the airport are central to the Port's mission and improving their capacity will have a positive long-term effect on the viability of both of these public assets.

The detailed capital project budget for 2008 is shown below:



The 2008 Operating and Non-Operating Budget

The Port projects actual 2007 operating revenues will be within 1% of budgeted amounts. This reflects the nature of the Port's operating business units, where revenue is largely predictable because of the nature of the rental activities the Port engages in.

The Port also anticipates its expenses for 2007 will be below the budgeted levels, resulting in projected operating cash flow of about \$270,000 compared to our original budget of \$254,000. We expect the Port will continue to meet its budget and financial goals in 2007.

For the 2008 budget, the Port projects operating revenue of \$1,830,000, which is an increase of 6.8% over 2007 levels. The projection is based on actual lease revenue from operating leases, and projected marina and airport hangar and use revenues.

The 2008 budget calls for operating expenses of \$1,591,000. The resulting operating cash flow will be \$239,000. This small decrease in budgeted operating cash flow results from a number of budgetary factors generally outside of the control of the Port. For instance, the Port's health insurance costs are expected to increase by about 15% in 2008, costing the Port an additional \$30,000. Many of these "inflationary" increases have been offset by management reducing the cost of other discretionary spending areas. However, the budget fully funds critical maintenance programs, operating programs, and supports the capital budget as proposed.

Highlights of the 2008 operating budget are:

		2008 Budget
Ordinary Income/Expense		
Total 610.00 · Sanderson Field Revenue		1,216,961.62
Total 620.00 · Marina Revenue		157,232.00
Total 630.00 · Johns Praire Revenues		455,318.98
Total Income		1,829,512.60
Total 710.00 · Sanderson Field - Expenses		227,222.76
Total 720.00 · Marina Expenses		93,290.81
Total 730.00 · John's Prairie Expenses		70,269.64
Total 780.00 · General & Admininstration		1,200,131.15
Total Expense		1,590,914.36
Net Ordinary Income		238,598.24
Other Income/Expense		
693.00 · Grants/Loans/Easements		724,750.00
699.21 · Property Taxes		615,019.27
Other Non-Operating		51,500.00
Total 690.00 · Non-Operating - Revenue		1,391,269.27
Other Expense		
Total 799.20 · Interest Expense		137,273.50
Other Non-Operating		34,700.00
Total 790.00 · Non-Operating - Expense		171,973.50
Total Other Expense		171,973.50
Net Other Income		1,219,295.77
Net Income		1,457,894.01

The property tax levy in 2008, shown above, is a continuation of 2007 levels of property tax assessed on property in the Port District. The Port levy is the maximum allowable levy under the levy limitations restrictions of state laws, but it is not the maximum available to Port districts.

Other non-operating line items include expected grants, proceeds of sale of easements for regional sewer system operations, and interest expense on the Port's debt (which has an average interest rate of approximately 4%).

A public hearing on, and adoption of, the 2008 operating, maintenance, and capital budget will be held on November 6 , 2007.

Respectfully Submitted,

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Port Auditor & Asst. Treasurer

Bob Robinson
Managing Director