

**PORT OF NEWPORT MINUTES**  
**May 12, 2015**  
**Budget Committee Meeting**

**I. CALL TO ORDER / INTRODUCTIONS**

Commission President Walter Chuck called the regular meeting of the Port of Newport Board of Commissioners to order at 6:05 P.M. at the South Beach Activities Room, 2120 SE Marine Science Dr., Newport, Oregon 97365. Committee members and staff introduced themselves.

**Freeholder Members Present:** Fred Prostlewait (Pos. #1); Brian Barth (Pos. #2); Ron Benfield (Pos. #4); and Mark Collson (Pos. #5). Alan Brown (Pos. #3) was absent.

**Commissioners Present:** Walter Chuck (Pos. #1), President; Dean Fleck (Pos. #5), Vice President; Ken Brown (Pos. #4), Secretary / Treasurer; JoAnn Barton (Pos. #3); and David Jincks (Pos. #2).

**Port of Newport Management and Staff:** Kevin Greenwood, General Manager; Stephen Larrabee, Director of Finance; and Roxie Cuellar, Administrative Assistant

**Members of the public and Media:** Patricia Patrick-Joling, in-coming commissioner; Dennis Anstine represented the media.

**II. ELECTION OF BUDGET COMMITTEE PRESIDENT**

A motion was made by Mark Collson and seconded by Ron Benfield to select Fred Postlewait as Budget Committee President. The motion passed 9-0.

**III. BUDGET MESSAGE**

General Manager Kevin Greenwood presented the Budget Message and the budget documents to the committee. After thanking Steve Larrabee, Director of Finance, the Department Heads, and Roxie Cuellar, Administrative Assistant, for their contributions to the budget process, the General Manager provided a summary of various components of the budget. He noted that the proposed NOAA Fund would have \$170,000 of surplus resources. Noting that there were no transfer of funds in the past year from the NOAA accounts, this budget recommends a transfer of \$500,000 from the NOAA Fund to the Construction Fund. This would provide flexibility to the Commission if funds are needed for projects; it could also be used for matching grant funds if needed. He said that the General Fund has been satisfactory. The Facilities Maintenance Reserve Fund (FMRF) is for deferred maintenance and he noted that several projects were funded from it this past year. The budget originally provided for a \$100,000 transfer from the Construction Fund to the (FMRF) and an additional \$100,000 transfer from the General

Operation Fund (GF). Because construction costs for the International Terminal were less than anticipated, the General Manager recommended amending the proposed budget to make the transfer from the Construction Fund to the FMRF \$150,000 rather than \$100,000. That would also result in an additional \$50,000 being added to the FMRF under appropriations. Commissioner Jincks recalled that the FMRF was created to identify funds for the Board to use for long-term deferred maintenance projects and that he was concerned that the money in the fund may have been used for upgrades to existing assets. Benfield reminded the Committee that bonds often have covenants that require identified maintenance funds. Because the Construction Fund has \$140,000 that was unspent for the construction of the International Terminal, the General Manager stated that the Commission had indicated that they wanted those funds transferred to the FMRF as a designated line item reserved for future maintenance of the International Terminal.

The General Manager reiterated that the best way to evaluate the funds within the proposed budget is to compare the beginning assets of any fund with the financial status at the end of the budget year. He told the Committee that the debt service will see big jumps in the next two years, then it will level off before spiking again in five years. He also reminded the Committee that the recent Oregon Supreme Court decision on the Public Employees Retirement System (PERS) will have a significant impact on the Port budgets beginning in 2017. Benfield asked if the spikes in the debt service might make refinancing a viable option to level out the debt obligations in the future. Larrabee told the Committee that staff was already looking into that option.

#### **IV. BUDGET DOCUMENTS**

##### **A. BONDED DEBT FUND**

The Port asked Lincoln County for \$1,000,000 in property tax revenues with the anticipation that the Port would receive \$927,000. The county uses a formula to determine how much of the billed property taxes for the port district will not be collected when due.

##### **B. FACILITIES MAINTENANCE RESERVE FUND**

The General Manager noted that the FMRF will start with \$40,000 in working capital. The proposed budget would provide a \$150,000 transfer from the Construction Fund that would be earmarked specifically for maintenance at the International Terminal. Barton recommended that the \$40,000 of working capital for the FMRF be maintained in future years as well. Postlewait asked if there was any deferred maintenance as yet at the IT and whether we were tracking future maintenance to know how much the Port would actually need for that purpose. Jincks said the original idea had been to use the HIPPO software to project future maintenance costs, but an Excel spreadsheet could serve the same purpose. The General Manager said that HIPPO software was being used by Rick Fuller, the NOAA Facilities Manager, and Jim Durkee, the Operations Manager at the International Terminal, although no projected maintenance reports

have been created. Postelwait recommended that Durkee be asked to produce a report. Barton asked if the entire \$150,000 needed to be transferred from the Construction Fund and suggested that perhaps it could be left at the original \$100,000. Benfield asked if the budget numbers could be changed in the future for maintenance after a HIPPO report was produced. The General Manager said that the Commissioner could amend any fund within the budget by ten percent without having to do a supplemental budget. Jinx again expressed concerns about what projects the FMRF expenditures were used for and proposed that projects such as the replacement of the washers and dryers and the pay station at South Beach should come out of the General Operations Fund. He felt that if the FMRF was going to be used for all maintenance and not just long-term deferred maintenance, then the FMRF needed more funding. He expressed concern that the Port needed to do a better job of tracking how the budgeted funds were actually expended – what projects were partially funded or were dropped entirely from the priority list. Jincks spoke to the electrical problems on the docks and said there was so much electrical current in the water around the docks that it was causing damage to the pilings. He said that he had an electrical gauge on his boat when he was commercial fishing that would measure the current so he could judge where to moor to minimize the damage to his boat. He recommended that the electrical currents in the water around the docks be measured and remedied if necessary.

His principal concern was the deterioration of the pilings on Port Dock 5. He said this was the heaviest of the docks and that some pilings had already broken off. He said that failure to do the maintenance as required resulted in much more expensive repairs in the future, because it was very difficult to raise broken pilings out of the water and replace them. He recommended that the harbormaster do a report on the failing pilings on all of the docks; the General Manager said that has already been done. Barton emphasized that huge maintenance problems have been going on for years without any success in fixing them. Benfield asked why we did not have a Master Plan and felt that going into debt to fix the problems could be less expensive in the long run than continued deterioration. The General Manager responded that there is a Master Plan; the problem is not that the maintenance needs are not identified but that there is no money to pay for them. Patricia Patrick-Joling, a future commissioner in the audience, told the Commission that the City of Newport refinanced much of its debt and included the cost of future projects in the refinance package. She said that if the Port was going to look at refinancing debt, that was a possibility. Fleck said that he had not realized the deferred maintenance on Port Dock 5 was so serious and observed that perhaps the issue had reached critical mass. Jinx offered to take commissioners on a tour of Port Dock 5 next Monday morning so they could get a better understanding of the need. Some of the Commissioners, the General Manager, and Patrick-Joling agreed take the tour with him.

### **C. CONSTRUCTION FUND**

The starting working capital of the Construction Fund was initially \$100,000. Because construction of the International Terminal had come in at a lesser cost than anticipated, the starting capital would be \$150,000, which would be transferred to the FMRF in the amended proposed budget. The General Manager explained that money in the Construction Fund can be

used for new projects or used as matching funds for grants that would fund new projects. Jincks pointed out that the laydown at the International Project would be such a project. He said that they had all been impressed with how the NOAA construction project had been done and asked what the next seventeen years of repair costs looked like for NOAA. He supported the transfer of \$500,000 from the NOAA Fund to the Construction Fund. The General Manager said that the Port was applying for six grants just on the laydown project; the largest and best known is the Connect Oregon Grant. He said that in the past, private investors might have picked up the cost of the laydown project. He cited the example of the Port of Astoria, which is still exporting logs to Asia but has a very small profit-margin, to underline the need for grants to make future projects viable.

#### **D. NOAA FUND**

The General Manager went over the summary, resources, and appropriations of the NOAA Fund budget documents. Collson asked why the entry gate already needed to be replaced. The General Manager explained that it was apparently a design flaw in the original gate.

#### **E. GENERAL OPERATING FUND**

The General Manager explained that the unanticipated cost of fixing the broken fuel line at South Beach last year prompted the need to put a contingency fund into the operation fund. Barton said that the contingency fund is needed because it reduces the need to raid the FMRF. Jincks asked how the amount of the contingency fund was arrived at. Larrabee said that it was an amount that made sense after the Port experienced the cost of the broken fuel line. The General Manager said that the General Operating Fund revenues were going up about four percent. The non-operating revenues included grant funds. Discussing personnel services, the General Manager reminded the Committee about the additional PERS costs that were down the road because of the recent court ruling. He also noted that the personnel costs in the budget included the hiring of an Operations Manager. The General Manager also went over material and services in the budget documents. He described the debt service. Benfield suggested that a spreadsheet or graph of long-term debt service be drawn up to see if there are any problems in the future. The General Manager said that the capital expenditure was for a vehicle for the Operations Manager after that person is hired. Jincks said that the truck used by the last Operations Manager was sitting in the warehouse at the International Terminal.

#### **V. PUBLIC COMMENT**

There was no public comment.

A motion was made by Collson and seconded by Benfield that the Budget Committee approved the amended proposed budget for the 2015-2016 fiscal year. The motion passed 9-0.

A motion was made by Collson and seconded by Benfield that the Budget Committee approve the tax rate of point zero six zero nine (.0609) per \$1000 of assessed value for operating purposes in the General Fund and in the amount of \$1,000,000 for payment of general obligation bond principal and interest in the International Terminal Debt Fund for the 2015-16 fiscal year. The motion passed 9-0.

**X. ADJOURNMENT**

There being nothing more to come before the Budget Committee, the Budget Committee President adjourned the meeting at 8:00.

ATTEST:

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Walter Chuck, Commission President

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Ken Brown, Secretary / Treasurer.