

PORT OF NEWPORT MINUTES

May 9, 2017

Budget Committee Meeting

I. CALL TO ORDER

Commission President Walter Chuck called the Budget Committee Meeting of the Port of Newport to order at 6:00 pm at the South Beach Activities Room, 2120 SE Marine Science Drive, Newport, OR 97365.

Freeholder Members Present: Fred Postlewait (Pos. #1), Brian Barth (Pos. #2), and Mark Collson (Pos. #5). Alan Brown (Pos. #3), and Ron Benfield (Pos. #4), were absent.

Commissioners Present: Walter Chuck (Pos. #1), President; Ken Brown (Pos. #4), Vice-President; Patricia Patrick-Joling (Pos. #5), Secretary/Treasurer; Stewart Lamerdin (Pos. #3); and Steve Beck (Pos. #2).

Management and Staff: Kevin Greenwood, General Manager; Stephen Larrabee, Director of Finance; Mark Harris, Staff Accountant; and Karen Hewitt, Administrative Assistant.

Members of the Public and Media: Yale Fogarty, ILWU; Pat Ruddiman, ILWU; Jeff Lackey, F/V Seeker; and Sara Skamser, CFUG Committee.

II. ELECTION OF BUDGET COMMITTEE PRESIDENT

A motion was made by Barth and seconded by Collson to select Postlewait as Budget Committee President. The motion passed 8-0.

III. BUDGET MESSAGE

Greenwood presented the Budget Message and Budget Documents, included in the Meeting Packet, to the Budget Committee. He said that Fig. 1 on page 6 of the packet was included so that Committee members could see how business centers performed. In reference to the Shipping Feasibility Study cited on page 7, Greenwood said that document was available on the Port's website. He clarified that the current agreement with Teevin is a lease option, and added that the development of the maritime industrial park could also include areas for Rogue and NOAA use. Greenwood said that in the first year of the lease, the Port could expect 2 shipments in the first six months, then 3 – 5 shipments over the next since months. In ensuing years, the expectation is an average of 10 shipments per year. Greenwood referred to the Appendix on page 87 of the meeting packet which shows a financial analysis. He added that the Port is looking at \$30MM in needed work on Port docks and other infrastructure. In reference to the Financing Summary on page 8, Greenwood said that staff is looking to share the Operations Plan for the International Terminal with the NIT Users Committee in the near future. He said that the Port Dock 5 pier approach project would be done in phases. As for the Facilities Maintenance Reserve Fund, addressed on page 9, Greenwood said funds are added when the General Fund shows positive net income. He added that funding from the TIGER grant and the IFA loan will be received as reimbursement, so the Port will have to pay costs up front. Postlewait asked if it would be legal to use NOAA funds, and how long the Port would have to pay it back. Larrabee said that it was acceptable to withdraw from that fund except for the restricted \$2MM, and believes it would be acceptable to pay

back over 10 years. The \$2MM budgeted to be available from the NOAA fund won't be needed if the private investor, Silvan, pays up front. Greenwood referred to the NOAA fund item on page 10, saying the dredging costs are net zero as it hopscoches with positive operating income over two years. On the General Operating Fund, page 11, Greenwood commented that while this is budgeted in the red, but the last few years have shown a positive net income.

IV. PUBLIC COMMENT

Postlewait invited public comment. Fogarty referred to the proposed Resolution Setting Rates, Fees and Charges on page 41, and urged the Committee to suggest the Port conduct a more intense study of charges to the fishing fleet. He handed out a schedule of charges at the Port of Seattle, WA, and directed attention to their charges for forklift use and operation as one example of a low charge by the Port. Fogarty also noted that the Port doesn't meter electric use but rather charges a daily power fee, which he felt was subsidizing the boats direct use of power. He said other rates are cheap at the Port of Newport, and there is no charge for loading trucks on Port property. He also noted that there was no increase on fees at NIT, SB launch fees were increased more for residents than non-residents, and lease rates may need review. Fogarty said that tariffs were set after Mike Haglund was hired as a consultant. He suggested the Port should perform due diligence and hire a consultant and research more thoroughly for marina fees. Greenwood responded that the Director of Operations had researched commercial rates, and had done analysis on costs to derive forklift rates. Collson asked if an outside party could be hired now to analyze rates. Beck asked why Haglund, a professional, was hired for the tariffs. Greenwood said he was the Port attorney at the time. Beck thought that hiring a professional to help establish rates would pay off in the long run. Lamerdin said that the Port has history of maintenance costs, and the daily rate is based on both those costs and the competition. The uniqueness of services at the Port of Newport could be capitalized on, but comparing to Seattle is not a just comparison. Lamerdin added that the key is to cover costs, but it is okay to charge less than competitors. Skamser said that it was odd that a loss of revenue at the terminal was accounted for, but not the intangible benefits the fleet brings to the region. Postlewait said that could not be accounted for in the budget.

V. BUDGET DOCUMENTS REVIEW

A. Bonded Debt Fund

Postlewait said that this fund had been raided to borrow money in 1995, which ended up taking 10 -15 years to pay back. He wanted to make sure that borrowing from the NOAA fund won't turn out like this. Greenwood said the Port is protected as long as it follows the terms of the lease, only \$2MM in the NOAA fund is restricted. Chuck said the Port would only need to use \$1.1MM from the NOAA fund to finish the Terminal construction. Larrabee said the Port would not be obligated to pay that money back, and is confident the Port would be okay as long as the restricted amount is not touched. Chuck said there had been talk about taking \$984K from the NOAA fund for an administration building, but that was not done.

B. Facilities Maintenance Reserve Fund

Greenwood referred to the appendix on Patrick-Joling 55-56 for the capital projects identified. This document is updated when projects are completed or new projects are identified. He said it was an uphill climb to put more money in this fund. He directed the Committee to note the projects were also identified as near-term, short-term or long-term. Greenwood said the shipping facility costs had ended

up at \$28MM after an original budget of \$11MM, and the facility was not yet complete. The project scope of work was being prepared by Stuntzner Engineering, and will be reviewed extensively. The scope of work, updated for market conditions, should be received next week. Costs won't be firm until the project goes out for bid. Collson commented that when the Terminal project started, it was to include a shipping terminal and a fishermen's pier. He asked if there was room for the distant water fleet and if there was any protection for the fleet. Greenwood said there would be no protection, same as now. There is a constant conflict. Collson said it was a concern if leased to Teevin. Greenwood said there is room on the east berth; staff is reviewing how many spaces. The Port needs to find out from Teevin/Silvan which bollard will be used. Greenwood said his understanding of the original intent was for the west berth to be used by handysize vessels for shipping, and the east berth to be used for commercial fishing. Chuck added that the grants put out were to bring shipping back. There will be a scheduling issue. Greenwood said the east dock will be open for commercial fishing and providing services, as well as the east end of the service area. At \$40K per day, the shippers will want to get in and out, and the fence will be mobile. Lamerdin said this was not the time for an operational discussion. Collson said when the bond was sold the public was told it was for fishing and shipping. Beck asked if the costs were recouped. Postlewait asked if there were a way to get a commitment on bringing in ships. Greenwood said the Port has talked about it, but the analysis shows this is feasible. There is a risk. An analysis was commissioned which should logs and recyclable paper were viable commodities for Newport. Collson asked who controlled the agreements with alternate shippers. Greenwood said the Port has control of the Terminal, and is only leasing the 9-acre facility. Collson asked if the \$60K per year payback on the Silvan loan stands no matter how they use the terminal. Greenwood said the agreement was currently in draft, and the Port and Silvan are still in negotiations. Beck said there have been a couple of iterations of the agreement, but it is not yet final. Greenwood said the budget as presented would allow the Commission, who has final approval, to complete the deal. He added there are six agreements: TIGER grant, IFA loan, Teevin lease, Silvan agreement, Rondys agreement, and engineering. The TIGER grant and IFA loan are non-operational in nature.

Fogarty commented that he had spent 30 years as a longshoreman, and it was a long time since the log market tanked. Silvan has a steady market in Asia, and Teevin is making a substantial investment. For a costs of \$2MM to the Port of Newport, the worst case will be the Port will have a 9-acre marketable property. Chuck said McLean Point was included in the Urban Renewal District, and depends on the development of the 9-acre property. There is another possible 30 acres for development of other opportunities. Lackey said he understands the economics of shipping, but would like to see more investigation into the fishing fleet at the Terminal. He suggested looking at those details would inform the budget process. Skamser said she was the CFUG Committee Char, and knows the Terminal is a valuable asset. She is hoping that this discussion will prompt the Port to start a dialogue with the NIT Users Group, even if the details aren't yet finalized.

C. NOAA Fund

Postlewait asked how long would money be withdrawn from the NOAA fund for ITSF construction. Greenwood said 2 – 3 months, within the fiscal year.

D. General Operating Fund

Greenwood noted the increase in the lease revenue from Oregon Brewing Company. Brown asked if Pacific Choice would have the same lease rate as Trident. Greenwood said the transaction was a mid-lease assignment. Lamerdin asked what would happen if the State blocked the sale. Greenwood said the

meal plant would still be sold, the surimi plant was the one in jeopardy. Greenwood commented that the bump in TCB Security this year was justified. Repairs and Maintenance saw the biggest increase, in part for materials to be used by the Maintenance Crew. Collson asked about the lease for the NOAA Facilities Manager's office. Greenwood said this was not in the budget because Jim Durkee is now using the old Yaquina Bay Fruit Processing building. If that property is leased, he may move to a location in South Beach currently rented to Rogue. Greenwood referred to page 30, and said these items were the projects that were new items rather than replacements. On page 31, Greenwood said that Oregon Brewing Company was included for bookkeeping reasons, based on the auditor's recommendation that the lease abatement be shown as a loan. Collson asked about the status of the sea wall at Rogue, and suggested that maybe Rogue could complete this project on similar lease abatement terms.

VI. APPROVAL OF BUDGET

A motion was made by Collson and seconded by Barth to approve the proposed budget [as presented/amended] for the 2016-17 fiscal year. The motion passed 8 - 0.

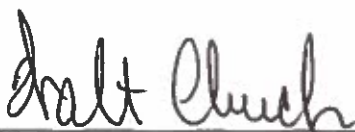
A motion was made by Collson and seconded by Barth to approve the tax rate of six-point-zero nine cents (.0609) per \$1000 of assessed value for operating purposes in the General Fund and in the amount of \$1,000,000 for payment of general obligation bond principal and interest in the International Terminal Debt Fund for the 2016-17 fiscal year. The motion passed 8 - 0.

Beck commented that he backed the budget, but would like to review the NIT debt line by line, referring to page 87. He noted that it showed \$1MM per year in debt without guarantees from tenants. This is a complicated deal, and he urged the Commission to be careful. Greenwood said the negotiating team consisted of himself, Chuck, Brown, and Pete Gintner, the Port attorney. Postlewait said this project was a big gamble, but if it works it will work well. Collson asked how committed Rondy's was to building docks. Greenwood said Rondy's is committed to the lay down area and warehouse first.

VIII. ADJOURNMENT

Having no further business, the meeting adjourned at 8:00 pm.

ATTESTED:



Walter Chuck, President



Patricia Patrick-Joling, Secretary/Treasurer

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