

**PORT OF NEWPORT MINUTES**

October 30, 2017

Regular Commission Meeting

**I. CALL TO ORDER**

Commission President Patricia Patrick-Joling called the Regular Commission Meeting of the Port of Newport Board of Commissioners to order at 6:00 pm at the South Beach Activities Room, 2120 SE Marine Science Drive, Newport, Oregon.

**Commissioners Present:** Walter Chuck (Pos. #1); Jeff Lackey (Pos. #4), Vice President; and Patricia Patrick-Joling (Pos. #5), President.

Sara Skamser (Pos. #2); and Stewart Lamerdin (Pos. #3), Secretary/Treasurer, were excused.

**Management and Staff:** Aaron Bretz, Interim General Manager; Mark Harris, Staff Accountant; Becca Bishop, Accounting Clerk; and Karen Hewitt, Administrative Assistant.

**Members of the Public and Media:** Rex Capri, Newport Resident; Pat Ruddiman, ILWU; Kevin Shreeve, Civil West Engineering; Will Templeton, Civil West Engineering; Todd Kimball, CFO Selections; Jason Busch, DulseEnergy; Chuck Toombs, DulseEnergy; Dennis Anstine, Newport News-Times; Doug Cooper, Hampton Lumber; Dietmar Goebel, Newport City Council; and Kiera Morgan, KYTE/KNPT Radio.

**II. CHANGES TO THE AGENDA**

Patrick-Joling requested removing Resolution 2017-12 from the Consent Calendar.

**III. PUBLIC COMMENT**

Capri said the International Terminal facility probably has the biggest potential to bring significant revenue to the Port, needed for Port Docks 5 and 7 repairs as well as other projects. The Terminal is completed, and highway access has been improved. He said it is imperative that the Commission prioritize and find users for the Terminal. Capri asked the Commission to draft a resolution or operating procedure that does not allow exclusive use of the Terminal to show the terminal is open to any potential users.

**IV. CONSENT CALENDAR**

- A. Minutes**
  - 1. Commission Work Session 9/26/17
  - 2. Regular Commission Meeting 9/26/17
  - 3. Commission Work Session 10/03/17
  - 4. Commission Work Session 10/18/17
- B. Financial Reports**
- C. Oregon Surplus Change Authorization**
- D. Resolution No. 2017-13 Amending the Port of Newport Facilities Code to Change Sections Related to Insurance Coverage for Vessels**
- E. SDAO Membership Renewal**
- F. Contracts**
  - 1. Road & Driveway – Terminal Overlay Repairs
  - 2. Central Coast Excavating – RV Dump Station

Chuck noted that the Regular Commission Meeting time needed to be changed from 12:00 noon to 6:00 pm on the minutes. Hewitt will make that change.

**A motion was made by Chuck and seconded by Lackey to approve the Consent Calendar. The motion passed 3 – 0.**

## V. CORRESPONDENCE/PRESENTATIONS

### A. Chuck Toombs – DulseEnergy

Bretz said he had met with Toombs and Busch from DulseEnergy (Dulse) earlier in the day. They were interested in leasing area that was the former cherry plant. Their business is growing seaweed. One of their needs is to have a pipeline extend from the Oregon State University (OSU) Hatfield Marine Science Center (HMSC) system. Bretz said OSU has agreed, but the trouble is the engineering estimate. DulseEnergy may lease part of the facility and not invest as much to start. Toombs said Dulse farmed patented seaweed. They have been successful at HMSC using a specialty distributor. As of the end of November 2017 there will have been approximately 1000 lbs produced and sold in 1 lb packages, and the product can be marketed at the restaurant level. Toombs said it would be a matter of time when the capacity of the operation at HMSC will not be sufficient. They would like to move to the Port's property. He said he understood the cost of water. He had conferred with Pentair, an aquaculture company, who suggested a couple of lower cost options to the pipeline. The first would be a short well at the edge of the property. The second would be to truck water in. Toombs said Dulse wants to expand production to validate their business model, and then investigate further. He said Dulse's product is an up-and-coming brand. They have a Memo of Understanding from the Japanese for the product. Business Oregon has approved a loan of \$250K which will be released when Dulse has access to sea water. Patrick-Joling said wells are normally expensive. Toombs said he was not yet sure of the cost; this is something to investigate. Lackey said the business concept was interesting, but more details and numbers need to be fleshed out.

Chuck asked how soon Toombs could get a cost estimate, and Toombs replied the next week. Toombs said they could possibly share the cost with money from Business Oregon if allowed. Busch said the current distributor would take more product than they are currently producing. They could bring 10 tanks in the interim to the Port location, leasing a small area where there is asphalt already. Dulse could produce more seaweed and potentially contribute to tenant improvements. He said he had spoken with Business Oregon, and it would not be good to use the money in the current agreement for tenant improvements. He added that Dulse would like to be included in an MOU with HMSC and the Port. A subsequent contract could be drawn between Dulse and the Port to allocate costs. The current scaled down proposal would demonstrate to the State that they are moving forward.

Goebel asked what would be the projected employment. Toombs said there would be one employee for every 10 tanks, and eventually 40 employees. There is a market for the product, and allied industries would add employment, but those numbers can't be estimated. Busch said if the current RV area was included, there could be 300-400 tanks. It would depend if the seaweed was processed on site. Toombs said there is an option to freeze dry the seaweed, which may be done on the property if possible. He added for every pound of seaweed grown, it eats four pounds of carbon dioxide, which is a side benefit and could potentially make the Port a carbon-neutral operation.

Templeton from Civil West said Bretz approached them for a cost estimate and a review of the feasibility to pump water. The estimate has a high contingency because it is preliminary. The conclusion was that the project would cost approximately \$350K with a 50% contingency. He referred to the report included in the meeting packet. Templeton said the 50% contingency was typical, but the project may cost less, in the \$250K range. He added the business sounds fascinating. Busch said that the 250 gal/min intake could be handled by the existing in-fall/out-fall at HMSC. The problem is the time limit and would need to be reevaluated. 250 gal/min could be sufficient for 200 tanks depending on the size of the tanks and how often they cycle water. Dulse had also received a cost estimate from Clearwater Engineering to build onto the current system at approximately \$600K. This estimate was not consistent with Pentair, for example the quoted cost per pump was high from Clearwater. Patrick-Joling asked how many gallons per minute would flow from a well; 250 gallons was a lot of water. Busch said Pentair did not seem concerned. Shreeve commented that the agreement with HMSC only provided access to the water for three years. At some point, Dulse would need to have their own saline water access. Templeton added that Dulse would also need to consider the variance in the salinity of the Bay from winter and summer.

Patrick-Joling asked Bretz to coordinate a Work Session to get further information from Toombs on cost estimates and their business plan. Toombs said he would discuss with Bretz what to bring to the meeting. Bretz said it would be good to see other options that are available and still get started on the lease without salt water. Chuck asked Toombs if Dulse's business plan had changed since their last presentation to the Commission. Toombs said no, but the market for the fresh

product has taken off faster. He said that Josh Hulsey now worked for Pacific Seafood, but could still consult. Patrick-Joling said it would also be good to have Civil West at the Work Session.

## VI. OLD BUSINESS

### A. Items Removed from Consent Calendar

1. Resolution No. 2017-12 Authorizing Transfers of Appropriated Funds Within The 2017-18 Fiscal Year Budget

Patrick-Joling asked if it was necessary to make this resolution now, since she understands the funds are available. Harris confirmed these expenditures were not over the approved budget, and the Commission could wait and see further in the year how this plays out. Patrick-Joling suggested holding this until at least the next Commission meeting, and paying these bills without making a resolution. Bretz said he encouraged this motion since he was in a Pro Tem position and wanted Commission consensus on those items.

### B. Accounts Paid

There was no discussion on Accounts Paid.

**A motion was made by Chuck and seconded by Lackey to approve the Accounts Paid. The motion passed 3 – 0.**

### C. Todd Kimball, Financial Consultant Update

Bretz introduced Kimball to the Commission, and thanked him for his time. Bretz introduced Kimball's report and said Kimball started on September 28<sup>th</sup>, and had been on site 6 days. Kimball said that since the report was written, the Port has delivered the audit files to the auditor who will initiate scheduling the audit. He said he would like to get to South Beach to review their processes. Kimball said he initially came to the Port three weeks in a row, then another visit after a couple of weeks. Ideally, he would like to be on site every other week. Patrick-Joling said she would like to meet with Bretz and Kimball. Lackey asked about an anticipated time line for completing a restructured profit and loss statement to shift categorizations. Kimball said the Profit & Loss and NIT analysis were very close to completion. Comparison with other Port's has not yet been started. Ideally, it would be good to discuss both the restructuring and the comparison together to get an overall picture. Patrick-Joling said she would prefer a dedicated Work Session to discuss this.

Lackey said he had sent an email to Bretz earlier that day. (The questions and staff responses are included in an addendum to the Meeting Packet.) He questioned the entries on page 25 of the Financial Reports, because when he reviewed the reports made in 2016, some of the amounts were different. Harris said this had to do with adjusting entries from the 2015-16 audit which were dated back to the fiscal year where they belong. Details had been emailed to Lackey. General ledger account numbers had been assigned this year to align the Port's records with the audit and the budget documents. Harris said the less current portion of long term debt balance was listed separately on prior years' balance sheets but is now included in the long term debt balance where it belongs. Also, adjustments for new debt were made. Current debt principal to be paid in this fiscal year was moved to current liability, which was an accounting requirement. Lackey asked about the reduction in capital assets, which Harris said was a combination of depreciation, additions and dispositions netted together. (The email and response are included in an addendum to the Meeting Packet.) Bretz also commented on why the numbers are behind compared to the budget. The Port of Newport accounting has been working on modernization and elimination of redundant work. Bretz referred to page 103 in the meeting packet, noting that the \$70K income at the RV Park represented 123 transactions at approximately 15 minutes each. Bank reconciliation can get backed up. Process improvement and a standard point-of-sale procedure will help.

Lackey asked how long Kimball had worked with the Port of Astoria. Kimball said he still is working with Astoria, and it will be three years in January 2018. Chuck asked how much longer he would need at the Port of Newport. Kimball suggested there should be some involvement until a new Director of Finance (DOF) is appointed. The new intern from Lane Community College will help alleviate pressure on Harris due to the DOF vacancy. He suggested pulling Harris duties from the bottom to delegate. Kimball acknowledged that the Port will want to use CFO as little as possible. When the intern is in place he can move forward with the audit, financial analysis and efficiencies. Chuck asked about the progress on the audit. Kimball said his understanding is that more work was done upfront this year compared to past

years, and he gave credit to Mark for closing out the year. Last year there were 38 adjusting entries, when there should be none to only a handful. Hopefully the Port will be in a better position to breeze through the audit. Kimball said the accounting is set up well, funds are well structured, classes are appropriate, and duties are properly separated. There are still some internal controls and efficiencies that can be implemented. Kimball said that overall there was nothing that raised a red flag.

Patrick-Joling asked how Kimball would recommend accounting for leases. Kimball said he had not seen leases included with administrative revenue/expenses before. It was not necessarily wrong or inappropriate but would be challenging to review. Kimball said it is common to base the accounting on geography, since that works well with how people think. Lease revenue could be accounted for all on its own. He prefers geography based. Patrick-Joling commented that when going for grants, geography based can make it easy to understand. It is misleading to have inflating numbers, as some grants are specific. Kimball said there is a challenge with this. All of the International Terminal is in one location, but there are distinct lines of business: services vs. lease. He thinks that has to be considered when there are multiple lines of revenue at a location. Chuck asked if geography would work better for the South Beach Marina. Kimball said most properties at South Beach are very different. The RV Park, the Marina and the Leased Property are all different. This would also be separate from NOAA. Patrick-Joling said she always thought the RV Park was the cash cow, but she believes it is the Commercial Marina that brings in the money. She said it is nice to see how individual entities are doing. Bretz said he would like to go forward with a contract with CFO for 9 weeks. Kimball has been here three weeks so far. Based on the assumptions in the original contract, Kimball would be on site two days a week every other week.

**A motion was made by Chuck and seconded by Lackey to approve the CFO Selections contract for a total of up to nine weeks. The motion passed 3 – 0.**

**D. SDIS Best Practices Checklist Complete**

There was no discussion on this item, for information only.

**E. Human Resources Memo**

Bretz said there are different levels of a Human Resource specialist. Under the previous management, the General Manager still had the overarching authority, and duties were delegated. Lackey said the memo provided clarity.

**VII. New Business**

**A. Richard Stellner, Human Resources Consultant, General Manager Search**

**1. General Manager Job Description**

Bretz said Stellner was still traveling. Bretz had spoken with Stellner earlier, who said if the job description and recruitment process were approved he could post the job tomorrow. Bretz suggested Stellner email the Commission President about salary and benefits. Patrick-Joling said she had reached out to Lamerdin and Skamsner, but had not heard back from them. Based on his discussion with Stellner, Bretz recommended an increase in the salary and benefits to get better candidates. Lackey said he didn't know about changing the benefits package. Bretz said the Port does not compete well. He had not yet heard from Lamerdin and Skamsner either, but Lamerdin had said he was concerned this was a sticky subject. Lackey asked if the Commission could get a list from similar sized ports. Bretz said he thought Stellner could get this. At the Port of St. Helens, a lot of the candidates were already earning in the \$140K – \$150K range. Patrick-Joling said she did not have a problem with \$140K, but she would want to discuss this with the other Commissioners.

Bretz said there is room in the budget. For the past two years the budget has included hiring a maintenance crew, which has not yet been filled. Bretz said he was advised to wait six months before deciding how to proceed. He had not given it a lot of consideration yet. This is where the Commission could start to dip into the funds. The problem is at the Commercial Marina, the staff is very busy with service tasks filling up their time. This will need more analysis. Patrick-Joling said she would reach out to Lamerdin and Skamsner this week to see if they were available to discuss the General Manager's compensation. This is a big deal that needs more discussion. Patrick-Joling said she needs more information and for all of the Commissioners to discuss the option. She said she was okay with the job description. Bretz said the Commission

would need to agree on the salary and benefits before posting the job. Chuck said he would like to see the budget implications. Patrick-Joling said she was available until November 22<sup>nd</sup>. Lackey said he would not be available from November 14<sup>th</sup> to November 20<sup>th</sup>. Chuck said he would call Bretz with his availability.

## 2. General Manager Recruitment Process

Bretz referred to the document in the meeting packet, which included dates worked out at the last meeting. Lackey asked why not present the Commission with 25 resumes instead of 12 – 15. Chuck said the Commissioners would have access to all of the resumes, but Stellner would whittle it down to 15. Lackey commented that veteran's preference candidates automatically move forward, so if there were 15 veteran candidates the number forwarded to the Commission may need to be adjusted. Patrick-Joling said she would like to leave it as is since that is what Stellner was hired to do. Lackey said he would like to have the 7 – 10 finalists provide specific examples of their fiscal, personnel and project management experience – their challenges, actions, processes, and results. Chuck and Patrick-Joling agreed to have Bretz email that change to Stellner. Chuck commented that the scoring for job knowledge was lower than finances/projects/people, and he thought job knowledge should have more weight. Chuck suggested giving 30 points for job knowledge, and reducing finances/projects/people by 5 points each. Patrick-Joling said she was okay with that. Lackey said he saw those three categories as the three-legged stool for the evaluation. Patrick-Joling said management is a huge thing for the General Manager candidate evaluation. Lackey suggested Finance 20 points, Job Knowledge 25 points, and 15 points each for people and projects.

**A motion was made by Lackey and seconded by Chuck to approve a revised recruitment process with the scoring of Job Knowledge up to 25 points, Finance up to 20 points, and People and Projects up to 15 points each. In addition, under Commission Initial Reading and Review, add the requirement for the semi-finalists to submit a document with specific work examples of their leadership and accomplishments related to the areas of personnel management, fiscal management, and project management. The documents should give brief explanations of challenges, actions, processes and results. The motion passed 3 – 0.**

## VIII. DEPARTMENTAL REPORTS

### A. Director of Finance

#### 1. September Occupancy Report

Harris introduced the staff report and said most of the topics had already been discussed. On behalf of the Finance Department, Harris thanked Kimball and said his work was greatly appreciated. Harris said the intern was a good opportunity. Having routine, high volume transactions completed by the intern would allow Harris and Bishop to get to projects on streamlining procedures. The intern had experience as a Finance Manager for Power Ford.

### C. General Manager Pro Tem

Bretz introduced the staff report. He said at the Commercial Marina, there are some 110 foot gaps without pilings. He also reviewed the leasing agreements for dredge spoils. Bretz said he started looking at the budget, since the Port was bringing in temporary help at a hirer wage rate than regular employees. He suggested it might be more reasonable to adjust what we have, and consider cost of living increases. A factor in this year's administrative costs was a 200% increase in insurance and PERS. Bretz said he had looked at 6 other Pacific Coast Ports, and the Port of Newport's wages were at the lower end. Chuck asked about the Rondys memo included in the packet. Bretz said he included this in the packet because this will have to be addressed soon. Rondys will want to start their construction in the spring of 2018, and Bretz is often asked by the City and citizens what the Port's plans are. These are complex issues. Bretz said Evan Hall is currently in Idaho and could not make the Commission meeting. Bretz suggested there should be some time dedicated to this issue. Lackey said there could be some upfront legwork completed by Bretz before the Commission met. Patrick-Joling asked Bretz to check with the other Commissioners when they can meet to discuss Dulse and Rondys, and to find out when Hall can attend. She said the Commission may need a Work Session once a week.

#### 1. TCB Public Safety Report for September. This item was not available.

## IX. COMMISSIONER REPORTS

Lackey said he had attended the Parking Committee meeting, which was centered on metering. It was his impression that the consultant recommended meters. There were differing opinions, but it was moving in that direction. Nothing had been decided at the meeting. Goebel said City staff was working on this. They were looking at metering but had not yet come to City Council for a decision. Goebel said he told the Port's Commercial Fishing Users Group Committee that they should come to City Council meetings to express their concerns. There will be a lot of public input and a lot of details to discuss. Bretz said there was also discussion about the Port's storage lot at the Commercial Marina. The storage rates return less than parking would. It would be important to coordinate with the fishing industry.

Patrick-Joling said she was appointed to the Greater Newport Vision 2040 Advisory Committee. She had participated in several sessions, and Chuck had also attended a session. A draft document is now available. The core values includes the working waterfront at the very bottom of the list. Patrick-Joling plans on submitting comments, and she encouraged the Commissioners and Bretz to review the draft and submit comments to her. Goebel said this will come up for discussion by City Council on November 6<sup>th</sup>.

**X. CALENDAR/FUTURE CONSIDERATIONS**

- 11/3 Fishermen's Appreciation Day
- 11/5 Dia de los Muertos Run
- 11/6 Commercial Fishing Users Group Committee Regular Meeting
- 11/10 Veteran's Day - Office Closed
- 11/23 Newport Turkey Trot
- 11/23 - 11/24 Thanksgiving Holiday – Office Closed
- 12/8 Port Holiday Party
- 12/19 Regular Commission Meeting
- 12/25 Christmas Day – Office Closed

There were no changes to the Calendar/Future Considerations. The next Regular Commission Meeting will be held on November 28, 2017.

**XI. PUBLIC COMMENT**

Goebel asked that page numbers be included on the agenda; Hewitt advised that page numbers were added to the agenda included with the Meeting Packet.

**XII. ADJOURNMENT**

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

ATTESTED:

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Patricia Patrick-Joling, President

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Stewart Lamerdin, Secretary/Treasurer

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