

From: [Aaron Bretz](#)
To: [Karen Hewitt](#)
Subject: FW: e-mail dated Oct 30th from the O S G
Date: Monday, November 27, 2017 9:36:14 AM

Karen, please add this to the meeting packet.

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From: EUROCDN@aol.com [mailto:EUROCDN@aol.com]
Sent: Saturday, November 25, 2017 4:06 PM
To: Aaron Bretz <abretz@portofnewport.com>
Cc: Patricia Patrick-Joling <patricia@portofnewport.com>
Subject: e-mail dated Oct 30th from the O S G

11.25.17

THE MID-WILLAMETTE VALLEY INTERMODAL FACILITY (M W V I)
REQUESTED LETTER OF SUPPORT (e-mail Dated October 30th from the O S G)

This is to place on record

- 1) that we are not party to the content of the referenced e-mail or its content.
However it appears that our without discussion or consent our proposal been incorporated into the proposed facility
- 2) that we have never been asked by the O S G for any comment or expression of opinion on the benefit that is said to accrue to (a) any shipping operation using the N I T (b) the Port of Newport (We would be unable to give any support in any case)

regards

jm

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" In order to succeed, we must first believe that we can "

From: [Aaron Bretz](#)
To: [Jeff Lackey](#); [Director Operations](#)
Cc: [Patricia Patrick-Joling](#); [Karen Hewitt](#); [Mark Harris](#)
Subject: RE: Items for Regular Meeting
Date: Monday, November 27, 2017 4:53:07 PM

Jeff, if you don't find these answers comprehensive or detailed enough, please let me know and we will get however much detail you need to answer your questions.

ACCOUNTING:

1. So far in November, Todd has made one two-day trip to Newport, with another trip expected November 29-30. Some hours were also worked remotely preparing the Port financial comparison. In total, this amounted to 16.5 hours, plus 5 travel hours. Including expenses, the costs are approximately \$3,450.
For results:
 - Performed a review of the internal controls and processes at South Beach. Everything was in really good order, with no issues noted.
 - Organized the PERS upload files, adjusted journal entries and initiated discussion on correcting timeliness issues related to prior uploads.
 - Worked on improving the CM moorage tracking spreadsheets to improve efficiency and reduce errors. Effort is ongoing, but significant time savings are expected.
 - Reviewed insurance renewal paperwork.
 - Began work on the Port financial comparison.
2.
 - a) and b) are substantially complete and will require minimal effort to finish up.
 - c) is in process and could be completed in the next three weeks. Anticipate presentation of these documents together possibly at the December regular meeting with the potential to be delayed to the January meeting (depending on scheduling).
 - The combination of these financial documents will help identify the Port's strengths and weaknesses. Todd will prepare a summary with conclusions.
3. The auditor has completed a cursory review of our books and her audit field work will begin on DEC 5.
 - a. *As a reminder, the auditor works for and reports to the commission about staff.. questions about the ongoing audit and the progress thereof should now be directed to the auditor since we (staff) have turned over our books to her. Staff's role now is to request an extension if the audit will not be approved by the commission prior to 31DEC.
4. I disagree with the premise that there are two items that measure "how well things are going." Timeliness of closing out fiscal months and years is an indicator of how quickly the accounting staff is processing transactions, but it doesn't take into account many other issues that one might use to subjectively determine how well things are going. In the past, slow closeouts of months at the Port has been the norm, so an interested observer may have looked at the same points that you are looking at and concluded that "things were going well." I interpret recent events to indicate that port commissioners would prefer the closeouts to be quicker, and a quicker and accurate monthly closeout will result in better decision making by way of better visibility.
The staff is following established internal procedures for processing transactions. The trouble is that those procedures need a ground-up modernization (that's my opinion) if we want a reasonable expectation that we will be able to have a high degree of

accuracy when looking at a real-time current point this year in comparison to that same point last year on a month-to-month basis. The only other alternative would be to add a number of staff—which is not feasible right now, nor do I believe it’s the best long-term answer.

At last month’s meeting, Mark spoke about the quantity of adjusting entries historically in this specific context. He actually answered this very question at the meeting. He said that historically, the Port had high adjusting entries (33 in 2013-2014).. but he has begun to reduce them (22 in 2014-2015, 16 in 2015-2016). We would like to be under 10 per year, and our goal will be less than 5. Process is the key to getting these numbers down. There has been an improvement in the past several years and the Port has been reconciling more of the Port’s own affairs, but we would do better by cleaning up the month-to-month. How far the Port has been behind during the course of the year in the past is (as far as I can tell) an anecdotal account that fluctuates based upon the internal goings on at the Port. That the output fluctuates directly with personnel and other happenings demonstrates that our processes are not refined enough.

If we want to determine how things are “going” (so to speak) in general financially, that should be weighed against how they are depreciating and whether or not our income is paying for our maintenance.

Bottom line, though, is that the staff has put some good band aids in place to get more accurate on the monthly statements but we need to revamp our processes (billing, AR, AP, boat inventory, a POS system, even OM&S inventory) with a mind for automation and modernization so that we can increase the speed of processing at the same time we reduce the chance for error. I don’t see this happening in the next several months..

Another option would be to entirely change the way some billable services are quantified (for example, charge by the pound of live catch offloaded rather than by the hour of forklift operation) This should be a focus for the coming budget year and the permanent GM. This could also (by the way) address your later question about a holistic look at efficiencies and cutting cost.

July-October Accounting Statements:

1. From Mark Harris:

- The actual increase was just over \$255,000. The following payables accounted for the difference:

Series 2013 FF&C - debt service	\$239,218
SDAO - 2018 membership dues	\$ 10,792
Cardinal Services - temp labor	\$ 3,003
Pacific Habitat Services - NIT	\$ 1,997
Advanced Remediation - NIT	<u>\$ 1,160</u>
	<u>\$256,170</u>

From me:

The rest of the difference is accounted for by standard fluctuations of accounts payable. We would need to give you an entire report on accounts payable, some of which will be paid in the next month. Do you need that detail?

- **2.A. From Mark Harris:** When the July to October 2016 statements were produced, only CM & NIT income for July and August 2016 had been recorded. By January 2017 accounting staff were able to get caught up on recording CM & NIT income through December 2016 and maintain the one month lag that has been the procedure going back at least several years. In contrast, the July to October 2017 income figures include the actual recorded income for

July through September and, at the suggestion of Todd Kimball, an estimate of October's income based on October 2016 actuals. This estimate will be replaced with the actual figures for October 2017 once they have been recorded. This accounts for the jump in CM & NIT income.

- This change in timing is due to staffing and month-end close procedures and highlights the need for modernization and eliminating inefficiencies, consistent staffing, and a month-end close checklist and schedule.

From Me: Please be aware that we will run into this issue again next month. It was asked about last month as well and we explained this at that time. Herein lies the difficulty of making ANY changes (whether for the good or not) to accounting methods. We will make better use of notes on the reports in the future... We may add an extra column that allows a comparison with actuals in future statements.

- 2.B As outlined above, the CM & NIT income numbers for July through October 2016 from the November 2016 meeting packet only included July and August income and were incomplete. September and October revenues were input in November and December. Because of this, a report of CM & NIT income for July through October 2016 printed today will show the actual revenue figures for that period. The figures on page 63 were pulled from a current report of that period's income.

From Me: On the second part of your question (whether or not this will be common place in the future): we are trying to eliminate as much revision as possible. There will always need to be some adjustments post-month end close, and this will skew numbers when you compare real time with historical data. Once more, this issue will be more visible as we make improvements but we need to continue improving, and the best way to reduce revisions is to maximize automation (my conjecture is that we are very far behind on this front—I'd say we're somewhere around the year 1999 as far as automation is concerned).

NOAA Moorage verbiage:

“I move to authorize an amendment to the NOAA lease that would allow vessels to moor at the NOAA pier in a limited fashion for vessels that are insured IAW the Port's requirements at a rate to be established by the General Manager.”

GM Report:

- 2) I plan to make the adjustments in pay prior to 01DEC. I received a two-week notice for an accounting staff member in South Beach today who is leaving us for a \$3 an hour pay raise. We need to retain our employees; at the key positions that I mentioned, we need to make these adjustments quickly and they need to be commensurate to bring our employees into a competitive wage. The cost of turnover in lost efficiencies and re-training is not as quantifiable as other costs, but it's widely accepted to be more expensive than retaining good employees. Rating employee performance and quantifying their output needs to remain purely a management function (my current position being the exception). I accept 100% accountability for the performance of this staff.
- 3) There must be a holistic look at personnel services and internal efficiencies. As previously mentioned, we have a lot of ground that we can make up here. This is a longer-term issue, hence my recommendation to further consider the issue

in the next budget year along with the permanent GM. We cannot forget, however that the Port is a consumer of labor and in order to gain access to that labor, there is a going rate that must be paid in the local labor pool. We are not currently keeping up in some positions, and that is the more immediate issue; there is ample room in the approved budget to make that situation more manageable and still have a surplus. The services the Port of Newport provide make us very unique along the coast. Personnel services are how we pay for the service that we provide to the commercial and recreational fleets, and regardless of location, that servicing of fleets is what the Port is best known for. Our people are our greatest asset.

Other:

- 1) I'm trying for as early as next week.
- 2) The permitting was just sent up the chain, and I provided them some input about working with WDFW throughout the process. We are too late to initiate the CM/GC process. It would have needed to have been part of the bidding for the work, so we were behind on that option since I've started up here. We can, however introduce a General Contractor after we've received the plans and contract them to value engineer the work. I plan to do that, and it will take some teamwork with OBEC and the contractor, but I think we can get it done.

I copied Karen on this email and she will put this into the meeting packet.

There are several instances of questions here that we answered in previous months. Have we possibly been misunderstood previously? It is important to me that after we have provided answers to questions, particularly after we have acquiesced that our accounting processes at the Port are onerous and slow, we should advance the conversation. For example, it will be more effective for our organization if next month, instead of inquiring why the month end statement as recorded for DEC16 (in December of 16) does not match on the upcoming meeting packet, the better questions to ask will be, "how can we make these numbers match better in the future?" Would it be more helpful to add a column that shows JUL-NOV 2016 balances as they stand now? I can tell you that last December, staff has told me that they were still finishing up revenue entries from September and October in December. It's more effective to progress that conversation, and it's problematic to continue asking the same questions after we have explained why. The repetitious asking of the same questions can be perceived in some cases by some folks to have an accusatory tone.

Very respectfully,

Aaron Bretz

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From: Jeff Lackey

Sent: Saturday, November 25, 2017 9:47 PM

To: Director Operations <dirops@portofnewport.com>; Aaron Bretz <abretz@portofnewport.com>

Cc: Patricia Patrick-Joling <patricia@portofnewport.com>

Subject: Items for Regular Meeting

Hi Aaron,

I have some questions about the regular meeting packet. I will probably ask about these items at the meeting this coming week.

ACCOUNTING

- 1) Financial Consultant CFO November work: What has the Todd Kimball of CFO worked on in November, how much has it cost, and what are the results?
- 2) CFO analysis documents: At the October 30th Commission meeting, Todd Kimball said he wanted to complete all of analysis and present them at one time. I believe the three analysis are a) restructured P&L, b) NIT analysis, c) comparison to other ports. When is it anticipated that these three analysis will be presented, and are there any changes (additions or subtractions) to these three topics of analysis? Do any of these three analysis focus on identifying port strengths and weaknesses, which was one of the analysis points from goal #4 from the Commission Goal Setting Work Session in November of 2016?
- 3) Annual Audit: What is the state of the audit: What are the expected milestone dates?
- 4) Accounting goals: If I understood Todd Kimball correctly, he seemed to indicate that there could be some improvement in both the timeliness of closing out fiscal months & years, and also reducing the number of required adjusting entries when going through the audit process after year end close. I also understood that Mark, the staff, and he had made gains in doing so, and that accounting practices were generally in good shape, and the staff was doing a very good job in executing these financial processes while juggling many job responsibilities. My question is this: If there are two items that measure how well things are going: a) timeliness of closing out fiscal months & years and b) number of required adjusting journal entries during audit process; could these two items be quantified in terms of what they have been historically, what they are now, and what a good goal would be for these? Also, are there other quantifiable goals other than these two that could periodically give the general manager and the commission a good quantifiable snapshot in time how things are going?

JULY-OCTOBER FINANCIAL STATEMENTS

- 1) page 9 - line 12000 - Why did accounts payable increase over \$288,000 from last month?
- 2a) page 13 & 15 - Income (primarily moorage & hoist dock and services) is up over 100% for both NIT & CM as compared to Jul to Oct 2016 income from the November 2016 meeting packet. Why the significant jump; is there that much more activity, or is there a change in timing or method of accounting for the income?
- 2b) The Jul to Oct 2016 income numbers for CM & NIT from the November 2016 meeting packet are very different from income (revenue) numbers on page 63 of this meeting packet; why is that? If it is because the numbers in the November 2016 meeting packet were not complete and required revision, and if so, then why did they require revision, and will that be commonplace going forward to revise numbers after a month is closed out?

NOAA MOORAGE

- 1) For the recommendation on a motion for amending the NOAA lease to allow limited moorage of other vessels, would you have a recommendation of specific language for the motion and for the amendment itself?

GENERAL MANAGER'S REPORT

- 1) Will you have more specifics on your intent to increase current employee wages or an expected timeline of action?
- 2) I agree wages for some individual functions are low and I see merit in the effort to raise them. At the same time, the rising personnel costs of the port will increase the importance of the general manager's function of managing how the workforce is structured and efficiencies utilized in order to best manage the port. The budgeted 2017-18 personnel services was a 37% increase over the four year average of actual personnel services cost from 2012-13 to 2015-16 fiscal years. I understand that PERS and insurance costs have increased, but with the direct salaries and wages rising a corresponding 32%, that indicates that only

5% of that 37% increase is due to PERS and insurance disproportional increases (unless I am missing something). That 37% adds up to a \$368,000 increase. All this while we still have some low wages; so if we see increases in wages now (which may be appropriate), and increases in port labor force per the 2017-18 fiscal year budget plan, we could be approaching a half a million dollar increase in personnel services per year in the near future as compared to the four year average from 2012-13 to 2015-16. We heard in the past couple of years what a dire situation we had at the terminal while at the same time NIT moorage and services revenue was increasing almost \$300,000; however, at about the same time we see port wide personnel services budget rise over \$300,000 of previous actual costs, and they could easily go higher. So my question is this; if you intend to adjust wages, is there also any intent to holistically look at personnel services and organizational efficiencies given increasing wage levels, PERS costs, and staffing levels? And would this effort be part of any of the CFO forthcoming analysis?

OTHER

- 1) Work session timing: any initial thoughts on work sessions in the near future for Dulse, Rondys, or GM search?
- 2) PD5: On page 57 I see the \$20,531 for PD5 engineering this past month. How is that going? Any updates? Also, Any thoughts on potential benefits of CM/GC method for PD5?

I realize there are more than a few questions here, but I figured it would be better for me to send them to you in advance of the meeting rather than ask them at the meeting for the first time.

Thanks,
Jeff