

PORT OF NEWPORT MINUTES

3 April 2018

Commission 2018-2019 Budget Priorities Work Session

This is not an exact transcript.

I. CALL TO ORDER

Commission President Patricia Patrick-Joling called the Commission Budget Priorities Workshop of the Port of Newport Board of Commissioners to order at 12:00 pm at the South Beach Activities Room, 2120 SE Marine Science Dr., Newport OR, 97365

Commissioners Present: Walter Chuck (Pos. #1); Sara Skamser (Pos. #2); Stewart Lamerdin (Pos. #3), Secretary/Treasurer; Jeff Lackey (Pos. #4), Vice President; and Patricia Patrick-Joling (Pos. #5), President.

Management and Staff: Doug Parsons, General Manager; Aaron Bretz, Director of Operations; Mark Harris, Accounting Supervisor; and Karen Hewitt, Administrative Supervisor.

Members of the Public and Media: Pat Ruddiman, ILWU; David Jincks, F/V Sea Dawn; and Rex Capri, Newport citizen.

II. FISCAL YEAR 2017-2018 AUDIT REPORT, INCLUDES AUDITED FINANCIALS

There was no discussion on this item.

III. RESOLUTION SETTING RATES, FEES & CHARGES (REVIEW ONLY)

Parsons said he had surprisingly received comments from the public, which included commercial fishermen thanking the Port for proposing a rates increase to better address the Port's infrastructure needs. Patrick-Joling referred to page 57, item 4(G)(2), and asked to include a Military Veterans' discount for a Recreational Marina Annual Launch pass, and later pointed out there is a distinction between active duty, veteran and disabled veteran personnel. Parsons said he would implement this change, having no disagreement from the Commission. Patrick-Joling also said the RV Park surcharges seemed low. Parsons said he agreed, but added that two sections of the Rates, Fees and Charges have not yet been addressed: the International Terminal and the RV Park. He said he wanted to do this more thoroughly and will suggest proposed changes at a later date. Staff has made some changes but it needs fine tuning. Lamerdin asked if public comment will be asked for before passing those proposed rate changes, to which Parsons replied yes. Patrick-Joling said that usually substantial rate changes are presented at two meetings. Hewitt said that changes to the RV Park rates generally don't take effect until October 1st. Skamser confirmed that other rates will take effect on July 1st. Lamerdin asked why all rates did not change with the fiscal year, and suggested that might be simpler for everyone if all changes took effect at once. Parsons said that the Rates, Fees & Charges were required to be reviewed at least once a year, and he did not think adoption of the Resolution should wait for other sections of the rates to be reviewed. Harris said all changes were placed in the 2018-2019 budget to project revenue. Parsons said that the Resolution Setting Rates, Fees & Charges would be put to the Commission for vote in its entirety in June after public comment and Budget Committee input. Future adjustments could be made by the General Manager or by resolution. Patrick-Joling referred to page 58, Section 5(E) Pet Fee. She thought something could be added about service animals. She also referred to Section 5(F), individual fee, as possibly a way to control the number of people in a single space at the RV Park and whether it would encourage/discourage large parties. She suggested this was something to think about.

Skamser referred to page 53, Section I Service Rates. She commented she did not see the Terminal hoist docks listed. Parsons said use of the Terminal hoist docks was charged at an hourly rate. If it was at the Port's convenience that boats were sent to the International Terminal, they would be charged at the Commercial Marina rates for the hoist dock. Parsons said he would make a note of this. Skamser asked about the NIT only fuel surcharge on page 53. Bretz said that at Port Dock 7 there was a fuel dock, but fuel would need to be brought in by truck at the Terminal. NOAA's charges were part of their lease terms. Jincks said that the fuel company does surcharge at the International Terminal; there is only one truck certified to pump over the rail. Lamerdin asked for a rough estimate of the revenue from the fuel surcharge. Jincks said it is usually \$8K - \$9K. Skamser referenced item L. Gear Work on page 54, and asked why it was short term only at the International Terminal. Parsons said that was to differentiate from storage fee. Patrick-Joling said to delete short term only. Bretz said he believed there should be some discussion about a time limit and he will research the issue. Chuck said a reason it was short-term is because if it weren't the area would not be leasable. If the area is used long term, the lease rate would be \$2K per week. Patrick-Joling suggested there could be a better explanation. Jincks added that short-term included an understanding that no one would leave their gear and go shipping for a week. Parsons agreed he could work on clarity. Skamser asked how item O. Disposal fees was quantified. Bretz said it was weighed on the truck. Lamerdin said the Port could order a dumpster and users could pay whenever filled. Skamser asked if garbage charges were paid at Port Dock 5. Bretz said there was no individual charge. The garbage gets emptied daily by Port staff. At the Terminal there are larger scale vessels, which can generate a significant amount of garbage. Harris said he has not seen revenue for this item. Parsons suggested the Port could charge cost plus a 5% administrative fee. Skamser then referred to Section 3, and asked if the dockage rate for shipping vessels was addressed in item 15, Exceptions for certain vessels. Bretz said the tariff was updated in 2014 and included a list of stipulations to meet before using the charge of \$0.80/ft/day. Patrick-Joling asked that information to be sent to the Commissioners. Chuck stated that the excepted vessels needed to be ≤ 200 ft. and not loading/unloading cargo or people. This was from Section II Chapter 14 in the Tariff. Chuck said that when the outside attorney reviewed this in 2014, the rate was increased from \$0.40/ft/day to \$0.80/ft/day.

Skamser referred to the parking pass rate, and said there was a profound increase from the current \$22.00/year. Parsons pointed out that the \$22.00 rate was only \approx \$0.085 per day. Another parking item up for budget decision was adding public parking with a key-card system in the gravel area between the Yacht Club and the Port office. Chuck said this lot had a drainage ditch in the middle for storm water. Parsons said he would be discussing this with Spencer Nebel, Newport City Manager. Skamser said that the Port paid the Maritime Museum \$1/year to lease their parking area. Parsons said the Port also leased a small parking area from Local Ocean. Jincks said that he doesn't know of any ports that charge for parking. The reason the Port charged a fee was to keep up with costs related to the Parking District. He said the proposed charges are ridiculous. Patrick-Joling said parking fees would need to be discussed. Parsons said he would be discussing this with Spencer Nebel, Newport City Manager, and Derrick Tokos, Newport Director of Community Development.

Lamerdin asked if staff had looked at maintenance costs for equipment and included that and depreciation in the proposed rates. Bretz said the Port had considered a quote for comparable cranes, a 20-25 year life, the future value of money, and annual maintenance charges in consider that rate to make sure the fees cover costs. Staff also considered last year's revenue and costs. Lamerdin said it would be helpful to see these numbers in terms of use on an annual basis. Bretz said he had looked at cranes and hoists, but needed to do more evaluation on forklifts. Jim Durkee had done some work on these evaluations last year. Bretz said he could format the information and send it out. He added that ideally there would also be an analysis of the docks and trucks, but he did not have all of that yet. Lamerdin said he would like to see what's been done.

Lackey said he had a potential conflict of interest because his father-in-law owns 2 commercial fishing vessels. He wanted to follow up on what principle was used to adjust rates. It maybe depreciation, charges behind other ports, infrastructure needs. He would not want to raise rates to the point where it would have an adverse effect on business. Lackey asked if Parsons was trying to build in revenue for infrastructure replacement and asked if

money would be set aside or go into the General Fund. Patrick-Joling said some of that would be discussed when looking at project priorities. Harris said that budget transfers could be made for these projects. The Port wanted to get positive income at the end of the year.

Parsons said he had heard loud and clear that he had a mandate to make the Port profitable and sustainable. In his analysis he looked at the top ten items that produced about 90% of the revenue. He took these ten items, applied the proposed rates, and calculated incremental projected revenue. His initial calculations indicated there would be about \$850K more in profit, which would be a big shot in the arm for the Port and would allow the Port to do capital maintenance and repairs, as well as grant matching. He later said that was a preliminary estimate, and actual incremental revenue may be more or less. He was looking at the big picture assuming that the Port's usage would be the same as this past year. Lackey suggested that overarching changes that significant may require more analysis and communication. Parsons said many days of staff time were given to develop the numbers, factoring in the foreseen impact of changes. Lackey said if there were an additional profit of \$850K he wanted to make sure where that was going. Harris referred to the work done by Todd Kimball analyzing the Port's finances, including a schedule that took into consideration infrastructure over 20 years. Parsons asked if Lackey wanted information on specific items or maintenance in general. Harris said funds could be designated for individual pieces of equipment, but that system was not yet in place. Lamerdin asked if the price per pound for off-loading catch would be addressed. He did not want the Port to leave money on the table by not setting up a system for getting these funds; he did not want the Port to lose a revenue opportunity. Parsons said he had discussed this with Bretz but the issue needed more research. Bretz said the Port needed to make sure it was charging for the use of the facility and for wear and tear on the pier at the hoist dock.

Lamerdin asked if there were any changes to the insurance rates in Section 8, page 61. The rates seemed low to him, especially for pollution coverage. Parsons said that would be reviewed. Chuck asked that the terms for item L. Gear Work on page 54 be made clearer about the lot use and labor charges if Port staff is needed. Chuck added that the hoist dock was repaired 3 years ago and was given a life estimate of 5 – 10 years. He said he agreed with Lackey that an increase up to 50% in one year was quite a jump. He suggested sending someone out to talk to the fishermen. Also, he suggested reviewing the Port's permits at the Terminal regarding unloading, particularly the DEQ 1200Z stormwater permit, and consider purchasing another forklift. Parsons said that would be reviewed.

IV. RESOLUTION TO INCREASE THE GENERAL MANAGER'S SPENDING LIMIT FROM \$5,000 TO \$10,000, AND TO SET THE DIRECTOR OF FINANCE'S SPENDING LIMIT TO \$5,000.

Patrick-Joling said she had no problem with the proposed increase. Parsons said this amount corresponded with the State limits. He also said that he had increased Bretz's spending limit to \$2,500. If the expenditure was in the budget, that could be run by Parsons. Skamser said she had talked to ex-Commissioners about how many times there would be a need to write a check for more than \$10K. Patrick-Joling said if Parsons continued with his weekly update, the Commission would have a good feel for what was being spent. If needed, the Commission could hold an emergency meeting. Chuck said he would like to have a cap. Parsons said it would be reasonable to use appropriated funds that were already in the budget. If there were a new item, it would be brought to the Commission. These would usually be capital items. Patrick-Joling said if expenditures over \$5,000 were not in the budget then Parsons could come to the Commission. Parsons agreed he didn't think he should have the ability to overspend. Lamerdin asked if there was a rough idea how often there was a need to spend more than \$5,000. Patrick-Joling recalled a time that Bretz found a broken line that could have well exceeded \$5,000 to fix but needed to be done quickly. Chuck said he was fine with a spending limit of \$5,000 and three passes. Lamerdin said he needed more information about why the requested spending limit was \$10,000. Parsons said Harris would review the last three years' records, and Parsons would get back to the Commissioners.

V. PERSONNEL EXPENSES

Harris distributed a spreadsheet with recommended personnel services numbers, which is appended to the meeting packet. He said he went through and updated the wage steps. This was not yet available but would be mailed out to the Commissioners. Parsons said Port staff had been given raises in November 2017 because of a number of factors, two being recommendations from Cardinal Services and Todd Kimball, as well as the need to retain current personnel. Without the increase, temporary staff would have to be paid more than permanent staff. There was room in the budget for these increases. Skamser said she agreed staff was low paid, and asked who was considered administration. Parsons said that was the Directors and accounting staff. There will be more detail in the budget documents. He said the adjustments in November were made to maintenance and medium-level staff, and two new maintenance hires. There were a number of staff members whose wages were not addressed. Parsons said he was intending to make some changes. For one, he planned to move employee evaluations to November/December with any raises effective January 1st. He also suggested a Cost of Living Allowance (COLA) adjustment take effect January 1st. Lamerdin said it seemed rational that wage changes would be based on the fiscal rather than calendar year. Parsons said this would give more time to perform more thorough employee evaluations since it wouldn't be properly accomplished at the same time budget information was being prepared due to limited staff resources. Numbers would still be reflected in the budget. Making this change would better spread out the work load.

Also related to pay, Parsons said currently staff is paid once a month, with some taking a mid-month draw. Since mid-month draws would also need to be submitted to ADP to deduct withholding taxes as a result of recent State regulations, the Port will go to bi-monthly pay for all staff on the 1st and 15th of each month. He added this idea was well received by staff.

VI. PROJECT PRIORITIES

Parsons referred to the information handed out at the meeting, appended to the meeting packet. The first page showed capital projects for the remaining three months of the current fiscal year. The next page showed recommended capital projects for the short term, followed by recommendations from department heads. Patrick-Joling said the Commission would have to review these priorities at another session. Chuck said to make sure that \$2MM was transferred back into the NOAA fund before budget calculations. Harris said it was budgeted for the current fiscal year but was not transferred from NOAA to the General Fund. Parsons noted there was a lot of concern about possibly borrowing money from the NOAA fund and later putting it back. There were plans to transfer an additional \$200K into the NOAA maintenance fund from the \$1.9MM NOAA money market account. Parsons said he had discussed this with Patrick-Joling and understood this was within his authority. His signatures have not yet cleared at Umpqua Bank. It is more difficult to remove money from the NOAA money market account, which is at a separate bank from that used for most of the Port's accounts. This money would still be in NOAA funds. Chuck said the \$1.9MM was intended to be kept until the lease comes due and should be kept sacrosanct. Parsons said the money could only be used for NOAA. It will still be earning interest when moved within the NOAA account. Patrick-Joling said Todd Kimball had not revisited his estimate regarding the maintenance reserve fund after taking other things into consideration. Lamerdin said he wanted to be sure the Port would not lose interest revenue. If there was no change in the money, he asked why it should be done. Parsons said it would make the public aware that they were doing something to address this item. Skamser said it was a recommendation from Todd Kimball. Patrick-Joling said any spending would need to be brought to the Commission ahead of time. Lackey said, in general, written information is helpful ahead of time. Patrick-Joling said the Commission needed to consider project priorities and a possible goal setting session.

Chuck asked if the projects were in order by recommended priority. Bretz said they were. Parsons said he was asking the Commission to comment with their suggested priorities. Parsons asked the Commissioners to recall his presentation regarding NIT, which included a detailed SWOT analysis. With staff, he was taking the next step and doing a SWOT analysis for each of the Port's profit centers. He had split up the SWOT analyses between Bretz' staff and Harris' staff, and Hewitt will add them to the presentation. He will provide that to the Commission soon as a starting point for goal setting. Patrick-Joling said she would call Parsons to set up a date for a Work Session.

Patrick-Joling said the Commission needed to reach a consensus on a press release about Parsons. If the Commissioners agreed, she would work with Lackey to get some information out. This will be mailed to the Commissioners individually.


VII. PUBLIC COMMENT

Jincks said he appreciated the opportunity to comment during the meeting. He said overall he approved of what Parsons was doing, but the parking fees would go over like a lead balloon. The Port needs to look at where the funds are going. The maintenance reserve fund is "wishy-washy". Same with replacing equipment. On personnel pay, Jincks said he believed in good pay but hoped the Port did not go back to COLA adjustments. He supported an incentive based pay scale. Parsons said the increases were split evenly between COLA and performance incentives so that personnel were not going backwards in pay, and could get increases based on their performance. Jincks said no one used COLA anymore; clothing and healthcare increases were included in COLA, and these items are paid for by the Port.

VIII. ADJOURNMENT

Having no further business, the meeting adjourned at 1:53 pm.

ATTESTED:



Patricia Patrick-Joling, President



Stewart Lamerdin, Secretary/Treasurer

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