

## PORT OF NEWPORT MINUTES

18 May 2018

Budget Committee Meeting

*This is not an exact transcript. The audio of the session is available on the Port's website.*

### I. CALL TO ORDER

Doug Parsons, General Manger, called the Budget Committee 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 Dr., Newport OR, 97365

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

**Freeholders Present:** Brian Barth, Mark Collson, Alan Brown, and Fred Postlewait. Ron Benfield was absent.

**Management and Staff:** Doug Parsons, General Manager; Aaron Bretz, Director of Operations; Becca Bishop, Accounting Clerk; and Karen Hewitt, Administrative Supervisor.

**Members of the Public and Media:** Steve Beck; Robert Waddell, Misty, Sea Pirate II, Ilwaco Indian; Sherry Kasper, Newport Tradewinds; and Dave deBelby, Enterprise Marine.

### II. ELECTION OF BUDGET COMMITTEE PRESIDING OFFICER

**A motion was made by Lamerdin and seconded by Lackey to select Postlewait as the Budget Committee President. The motion passed 8 - 0.**

### III. RECEIVE BUDGET MESSAGE

Parsons referred to the Budget Message included in the Meeting Packet. He pointed out that because the planned project for the Newport International Terminal (NIT) Shipping Facility did not move forward, the Budget for FY2018-2019 can be better compared with FY2016-2017. Parsons said the Port had structured the Budget around the Port's five separate funds, and seven identified separate profit centers. Having separate profit centers will allow for better business decisions throughout the year and make it clear what was happening at the Port. Parsons added that the RV Park, Recreational Marina, and Leases are pretty strong revenue generators. NOAA generally breaks even, but because of dredging and unexpected capital expenses saw a loss of about \$350K for FY2017-2018, tapping into NOAA reserves. The upcoming fiscal year will be different. Last year the capital improvement priority was the Shipping Facility. This year the Port is planning 21 smaller capital improvement projects over all profit centers, which are listed in priority order first for safety (personnel and environmental) then for revenue generation potential. In response to Lamerdin's question about how capital projects were defined, Parsons said these were items over \$5K and would last over one year, so could be depreciated.

Parsons referred to the bullets on page 6 of the Budget Message, and said there is a severe moorage issue at the Commercial Marina. For semiannual/annual moorage the Port is around 96% capacity, and over 100% capacity if transient moorage is included. Repairs and additions to the hoists were planned at both the Commercial Marina and NIT, with the intent to generate more revenue from offloading vessels. Parsons said the proposed Budget included a reduction in property taxes, which would be for this year only. Parsons stated that a newly available State program will enable organizations to pay down their unfunded Public Employees Retirement

System (PERS) accounts. PERS had increased drastically last year in an amount about the same as the State's matching funds for this pay-down program. Parsons referred to the Budget report showing \$689K as the unfunded PERS amount; Chuck asked if the amount was going to keep increasing if some top tier employees retired. Parsons said it would, but the two soon-to-retire harbor masters may elect to stay longer.

Parsons pointed out the intent to use a Homeland Security matching grant to increase camera coverage at NIT where there was an issue with theft. He said that Bretz is researching an Employee Assistance Program costing about \$140 per person per year that would provide counseling for a wide range of issues, for example anger management. Bretz said the benefit to the Port would be getting employees back to work and have better accountability for managing issues affecting job performance. Parsons suggested doubling the training budget so that the Port would have better trained staff. Bretz added that would include cross-training on the crane and increasing the quality of crane operators. Jim Durkee, as NOAA Facilities Manager, was dealing with a technologically advanced facility; additional individual should be cross trained.

Parsons said the contingency amounts for the various funds needed to be appropriated each year. The increase in the General Fund contingency from \$100K to \$550K is proposed so that funds will be available for additional capital projects that may be required without the need for a supplemental budget. Any project using contingency funds would have to be approved by the Commission. At the end of the fiscal year, unused money automatically goes into the unappropriated funds balances. Parsons referred to the report, which showed which funds would be used for each project. Postlewait asked if NIT was beginning to have capital improvement needs. Parsons said yes, for example the crane needed immediate repair that week. Parsons referred to page 9 for times considered. Parsons added expenditures would be monitored closely.

Postlewait asked if the \$100K for contingency in the NOAA fund (page 17) was in addition to the NOAA fund balance. Parsons said that amount was just a re-allotment of existing funds. He also referred to pages 31 and 61. Chuck said the 85 Fund had previously been dipped into. Barth confirmed that \$750K that was planned to move from the NOAA fund last year but were not used. Postlewait said he would like to see that continue. Skamser added that Todd Kimball, financial consultant, advised putting additional money back into the NOAA fund. Parsons said QuickBooks showed that since 2012 the Port was automatically putting roughly a couple thousand into the fund each year. This fund can only be touched in an emergency, and even then would require a supplemental budget. Leaving more unrestricted would give some flexibility for matching grant funds. The NOAA fund consists of different accounts; \$100K would be appropriated for contingency but would still be in the NOAA fund. Parsons also referred to the Bonded Debt Fund on page 17 which did not have an unappropriated ending fund balance for the past three years. Chuck brought up that NOAA funds had been considered to do mitigation for NIT, a bridge loan for the terminal, and an office building for the Port. He added that when the NOAA lease comes up the Port will need that money. Chuck added that Todd Kimball had recommended only borrowing that money from the NOAA fund for only a short term for a project that would have both a significant return on investment and a short pay-back period. Chuck said Kimball had also concluded that in 13 years there may not be enough money in the fund to do needed repairs and maintenance. Parsons said the Port had not made these funds available for maintenance in the past and therefore not made progress on deferred maintenance. The money is there to use to provide better services and generate more revenue. The principal problems at NOAA are associated with the pier rather than their buildings. The Port will be putting money into camel repair this year.

Parsons said the Rogue seawall project was separate from NOAA. The wall is being slowly pushed out at some sections by water pressure from the inside. Postlewait said this is a problem that could potentially cost several million dollars to address. Collson added that the condition gets worse every year. Parsons said a study was needed in order to understand the problem and address it properly. Barth said that the NOAA reserve was set up to meet bond payments if there were a loss of cash flow. He said he did not expect NOAA would want to leave at the end of the current lease term. Skamser said the Port could not touch \$2MM in the bond reserve, but the

Port does need to keep up with maintenance and replacement. Aaron added that the Army Corps of Engineers has helped with dredging at times but can't be depended on to do so. He said dredging costs will continue to increase. He anticipates the next dredging at the NOAA pier would cost around \$500K. Collson said that at some point a structural design mockup was prepared. It might be worth looking into to possibly minimize dredging. Bretz said he had spoken with Durkee and with Todd about what may be unexpected costs, like the current problem with chains around pilings at the camels, which have to be fixed now. Chuck said Rick Fuller did look into dredging possibilities, but there is not much that can be done. There would have to be a new project which would require mitigation. Postlewait said that should be part of negotiations with NOAA. Lamerdin asked if there was an option to renegotiate the lease. Parsons said he will look into that.

For the Construction Fund, Parsons referred to page 10 in the Budget Message and page 30 in the Budget Packet. This budget item had been developed with input from the Commission and staff. He referred to page 12 of the Budget Message. Collson asked if there were any thoughts on revenue sources. Parsons said a minor example identified was selling propane at the RV Park which he expected to generate about \$30K per year. Collson asked if there was enough staff. Parsons said another individual is needed in the RV Park, which is presently a profit maker. Right now there are two full time employees who are stretched. Parsons said he was considering having a work-program couple the Port would provide RV rent to that could help in the office. Even worse is the need for maintenance at the Commercial Marina. Chuck commented that the additional staff discussed last year to focus on maintenance were never hired. The Port Dock (PD) 5 Pier Approach project would be a \$3.1MM project and the Port would have to come up with a \$1.5MM match if a grant was sought.

Parsons said grants will be critical. Parsons said he was attuned to the fact that the Board has changed and brought in a new General Manager and a Director of Finance, and the Port is focused where it needs to be. He met with the Infrastructure Finance Authority (IFA), and met with a Governor's representative. An updated Strategic business Plan needs to be done to get back in their good graces. Collson asked if the taxes collected for the Bonded Debt Fund could be used to pay other debts or loans. He suggested not reducing taxes and instead maybe clean out some debt. Parsons said he would look into that by asking the Port's bond counsel. Parsons said since he came from the outside he could presently readily see numerous issues that need to be addressed. He would also welcome ideas from the Budget Committee members outside of the meeting.

Parsons referred to the conclusions in the Budget Message. Postlewait said it was good to see a focus on maintenance. Parsons said the problem is that there are so many things that need to be done. The Commercial Marina needs more moorage, which would be another substantial project not in the current budget. He said that Bretz and Kent Gibson, Commercial Marina Harbormaster, have ideas on how to restructure the docks at Port Dock 7 to better accommodate longer boats. Skamser asked about depth at the Commercial Marina. Bretz said there would be a need to dredge, which would require permitting and mitigation. He said storms are a concern at docks 7E and 7F which were in bad shape. Even so, the PD5 pier project is ahead of all that because it is at most risk right now.

Parsons said the Commissioners have been through rounds of setting priorities. Lamerdin said the Port had funded the study for the PD5 pier approach but doesn't have the money yet for the construction. Bretz said he could take the plans from OBEC and ask a contractor for a second opinion on the costs. There needs to be matching funds set aside, schedule a grant, start construction, etc. Parsons said that also depends on the grant cycle. Lackey said he would like to see a layout of the steps coming forward. Parsons noted that this proposed budget included roughly \$1MM for capital projects, but the Port could comfortably spend \$2MM, putting additional funds from the Unappropriated Ending Fund Balance (UEFB) into the Facilities Maintenance Reserve Fund or the Construction Fund. Chuck said it was always tempting to spend NOAA funds, and this was always a concern. Postlewait added the Port would need to be careful if planning to use NOAA funds.

[Postlewait called a 5 minute break.]

Barth asked about a possible landing fee. Parsons acknowledged that a landing fee was suggested this past year and Bretz was looking into it, but it was not included in the budget. Bretz also spoke about the second shift that had been added at the hoist dock that had brought in additional revenue, including more than double from independent buyers. He added that a commitment from the Port to offer this shift allowed buyers to get a commitment from boats. The profit margin is being evaluated. Bretz said the Port was looking at scheduling at NIT and ways to use a second hoist to bring in more money and provide additional options. Collson suggested if the operations at NIT mirrored those at PD7 it wouldn't run others away.

Lamerdin suggested a second Budget Committee Meeting would be needed to give more time to review the proposed Budget. A Doodle poll will be sent to help schedule the meeting. Chuck said that some of the supplemental projects seemed optimistic. He also said the comment sent in by Newport Marina Store & Charter owner Chris Olsen was not included in the packet. Parsons said they had not been included for a reason and had been sent to the Port's attorney; they may be subject to discussion under Executive Session. Chuck said that in the past the charter fishermen with brick-and-mortar operations in the basin were charged the Commercial Moorage rates at the Recreational Marina. Lamerdin asked if there were a way to track changes in personnel costs and the number of employees in past years. Parsons said yes and referred to the Budget starting on page 5 and on page 35.

Skamser complimented the financial staff on the preparation of the Budget. Parsons commented that some of the changes made this year will also make future years' budgets easier to prepare. Postlewait said that this year's budget looked better than the previous years. The Committee Members agreed to respond by close-of-business on May 29<sup>th</sup>, after which Parsons could incorporate suggestions and circulate the revisions for evaluation. Bishop said staff could provide historical LB forms for personnel history. Parsons said he could also meet with Committee Members in groups of two to get their feedback and suggestions.

#### IV. **ADJOURNMENT**

Having no further business, the meeting adjourned at 8:15 pm.

ATTESTED:

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Stewart Lamerdin, President  
Pro-Tempore

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Walter Chuck, Secretary/Treasurer  
Pro-Tempore