

**PORT OF NEWPORT**  
**MINUTES**  
**May 12, 2009**  
**Budget Committee Meeting**

**I. CALL TO ORDER**

The Budget Committee Meeting of the Port of Newport was called to order by Commissioner President Ginny Goblirsch on Tuesday, May 12, 2009, at 5:15 p.m. in the Port Conference Room, the same being within the boundaries of the Port District.

**II. INTRODUCTIONS**

Commissioners: Ginny Goblirsch, President; Dean Fleck, Vice-President; JoAnn Barton, Secretary; Don Mathews, Treasurer; and David Jincks, Asst. Secretary-Treasurer.

Budget Committee Members: Brian Barth; Ron Benfield; Alan Brown; Julie Hanrahan; and Fred Postlewait, who arrived at 5:40 p.m.

Port of Newport Staff: Don Mann, General Manager; Patti Britton, Director of Finance; Maureen Keeler, Special Projects Manager; Gina Nielson, Marina Office Supervisor; Patty Benjamin, Administrative Assistant.

**III. ELECTION OF CHAIRMAN**

Brian Barth nominated Commission President Ginny Goblirsch as chair but Goblirsch declined, stating that she would prefer that a member of the public chaired the meeting.

JoAnn Barton nominated Julie Hanrahan but Hanrahan declined, as this was her first year on the Budget Committee.

Brian Barth nominated Ron Benfield as Budget Committee Chairman. Commissioner Jincks seconded, there were no further nominations, and the motion passed with all in favor.

**IV. BUDGET CALENDAR**

Chairman Benfield called for comments on the Budget Calendar. General Manager Don Mann pointed out that, if a second meeting were necessary, it would be scheduled for May 26, 2008, so staff would need to know by the end of this meeting, in order to submit a notice for publication within the required time limit.

Commissioner Jincks moved, Mathews seconded, to approve the Budget Calendar. The motion carried with all in favor.

**V. BUDGET MESSAGE**

General Manager Don Mann read the Budget Message for F/Y 2009-2010 aloud. Highlights of the Budget Message were shown on a screen using PowerPoint. Those highlights included a 3% increase in recreational moorage fees, a \$1 per night increase in RV rates, and a 3% increase in service fees. Mann said that those increases would assist in offsetting a 9% overall increase in utility costs, and were needed to maintain and service equipment and vehicles and to help with increases in materials and service costs. The budget sought a net property tax levy of \$67,200, representing about 2% of the Port's General Operating Fund revenues.

The proposed budget was a document comprised of four separate funds: the Operating Fund, the Bonded Debt Fund, the Facilities Maintenance Reserve Fund, and the Construction Fund.

New projects included a continued planning effort for the proposed Fisheries Center Building. The mixed use facility was proposed to be funded through a combination of grants and loans only, at no cost to the Port. Preliminary cost estimates were approximately \$1.7 million but those costs would have to be adjusted.

Due to depressed local and statewide economic conditions, a pay freeze was recommended for all Port staff and no holiday pay for scheduled holidays except

Christmas. If higher than anticipated revenues were realized during the budget year, holiday pay and cost of living and merit increases would be reconsidered. If anticipated revenues were not realized, contract services could be considered as an opportunity to further reduce personal services expenditures.

The Terminal Dock Project would continue as a capital expenditure, as reflected in the Construction Fund; however, the five-year dock and pier improvement plan budgeted last year would be postponed after the ongoing H-Dock renovations were completed.

Transfers to other funds would include a transfer to the G.O. Bonded Debt Fund based on the payment plan developed six years ago, to make the final payment due that fund. A \$13,454 transfer to the Maintenance Reserve Fund was proposed. The function of the Maintenance Reserve Fund is to meet future facility maintenance needs and/or emergency occurrences.

Mann emphasized that absolute needs and resource limitations would be considered in approaching spending decisions, and any capital expenditures would be subject to final review and approval by the management staff and Commission, where appropriate. Those types of expenditures would not be made unless the actual revenue to cover them was assured to be received by the Port.

The Port had been given an opportunity to submit an application to be the home port for NOAA's Marine Operations Center-Pacific, and Mann expressed appreciation for the commission and administrative staff's efforts in preparing that offer.

The General Manager asked for questions before moving on to review the budget document. In answer to a question from Alan Brown, Mann said that he and Finance Director Britton had researched the legal aspects of the labor laws before recommending eliminating holiday pay for staff for all holidays except Christmas.

## **VI. REVIEW OF BUDGET DOCUMENT**

Finance Director Patti Britton led the discussion on revenues. Using a pie chart illustration, she noted that the Port's traditional revenue sources from moorage, leases, and RV Park revenue would remain the largest percentage of the Port's revenues. There would be no increase in commercial moorage but recreational moorage would increase 3%, along with a 10% increase in live-aboard fees. Live-aboard charges would rise from \$40 to \$44 per month. There is also a \$35 charge for each additional person living aboard the vessel. Commissioner Barton asked what the downside would be to increasing recreational moorage more than 3%, and General Manager Mann cited the economy and the fact that the marina tries to stay competitive locally and up and down the coast. Returning to the discussion about live-aboard fees, South Beach Marina Office Supervisor Gina Nielsen said live-aboard fees don't start until 11 days have been spent on the boat in a calendar month. In answer to a question from Commissioner President Goblirsch, Britton said there was no live-aboard charge at the commercial marina. Commissioner Jincks commented that there should be something driving the increase—an increase in expenses or facilities maintenance, for example—and suggested that staff create a spreadsheet to show what increase would be required for the Port to maintain a profit margin in those areas.

After more discussion about live-aboards and the need for stepping up maintenance of Port facilities, Chairman Benfield recommended that staff prepare a cost-of-service study in terms of the service the Port provides, and provide that study to the Commission so a decision could be made about the increase in charges, in order to better define the process.

Commissioner Jincks said he agreed with the recommendation and added that, if the Port could show the percentage over what it needs to charge to be able to maintain utilities and also "bank money" into the Maintenance Reserve Fund, then the Commission could adopt it each year and adjust it as services increase to the Port.

The General Manager reviewed the current leases, highlighting those with changes this Fiscal Year. Those included Marina the Marina Store & Charters, Oregon Brewing Company, and Yaquina Bay Fruit Processors. He noted that US GSA Customs had not committed to renewing their lease when it expires in July.

Finance Director Patti Britton reviewed Hoist Dock & Services. The budget proposed a 3% increase, which was consistent with increases over the past few years and in keeping with what other Oregon ports that offer those services charge their users.

An increase of \$1 per night in RV rates was proposed to offset the expected rise in utility fees. That would be in addition to a \$1 per night utility surcharge that was started three years ago and the transient room tax. Brian Barth said that if he were a customer, he would prefer to be asked to pay one rate that combined all of the surcharges and taxes, rather than having the cost broken down into separate charges. Jincks agreed. Commissioner Fleck noted the projected decrease in RV Park occupancy and Britton said that, even with a good Coho season predicted, it seemed prudent to remain conservative. Commissioner Goblirsch reiterated that she would like to see the Port charge reasonable rates over costs so it can amass maintenance funds to upgrade facilities. Fred Postlewait said there was software available specifically for projecting and anticipating maintenance costs that would be helpful in creating a budget.

Dredge Material sales had increased and was projected even higher in this budget. Chairman Benfield noted that the H-Dock project at South Beach had been budgeted at \$300,000 and actually came in at \$112,000, and the General Manager said the savings came from using Port labor instead of contract labor.

General Manager Mann presented a pie chart showing details of the Port's projected expenses for FY 2009-2010. Materials and Services was the largest portion of the chart at 34%, with Gross Wages following at 24%. A separate bar chart showed Personal Services expenditures. After a steady increase since 06-07, a slight decrease was projected for health insurance, Workmen's Comp, and PERS. Britton credited the decrease in PERS to the fact that PERS had reduced its contribution rate and the Port had joined the PERS investment pool.

Audit expenses showed a slight increase due to changes in industry-wide audit standards that would require the auditors to spend more time on the job. Legal expenses were about the same. The largest category under Contract Services was janitorial services for the South Beach Marina restrooms. Mann said that services frees up the maintenance crew for other duties, such as building docks.

A 9% increase in utility costs was expected, as electricity, water and sewer, and garbage collection fees were going up. General Manager Mann reported that Rob Thompson, of Thompson Sanitary, said the Port's trash removal process was one of the most efficient in the area because the maintenance crew empties all of the dumpsters into compactors, saving the fee charged by the sanitary service for emptying each dumpster. However, Commissioner Jincks said it was his understanding that Thompson's charges more for compacted material than for loose material. General Manager Mann said he would look into it.

With the exception of postage and bank fees, Office Expense was generally projected to decrease over the coming Fiscal Year due to "belt tightening", as explained by the General Manager. There were no significant changes in Marketing, Administration, and Promotion. There was a brief discussion about the cost of submitting the NOAA MOC-P offer, part of which was paid by local entities and Economic Development Department, and part of which was out-of-pocket expense for the Port. Mann explained that Repairs & Maintenance had been "tightened up", and pointed out that the DEQ settlement payments for Hoy Marine were done. Capital Outlay included the purchase of a pickup truck for South Beach and a forklift for the north side hoist dock. The current hoist dock forklift would be moved to South Beach to replace an older and depreciated forklift there.

The General Manager reviewed Debt Service, which he said was essentially fixed costs on the Port's loans, and moved on to the Construction Fund. He explained that the Port had applied for a NOAA Coastal and Marine Habitat Restoration Grant to remove the Pasley and Hennebique from Yaquina Bay. If successful, the funds would be managed by the Oregon Wildlife Heritage Foundation as a fiduciary agent. A discussion followed about interest on the bond revenue for the terminal project. Britton pointed out that the bonding rate was close to what it was the previous year but issue costs would go up due to the cost of insurance.

Finance Director Patti Britton reviewed and explained the Bonded Debt Fund, the Limited Tax GO Bond Fund, the Facilities Maintenance Reserve Fund, and the Construction Fund. She noted that a debt owed to the Bonded Debt Fund from the early 90's would be paid off in 2010. There were no questions on Other Funds.

## **VII. DISCUSSION BY BUDGET COMMITTEE**

Brian Barth and Commissioner Fleck commented on the proposed pay freeze and holiday pay cut for staff. The General Manager said staff understood that the cuts were equal across the board and that employees will be paid for hours they work, whether it was a holiday or not. He added that, compared to what other entities are going through, the Port is fortunate to be able to continue without layoffs, and stressed that the action will be revisited if it looks like there is revenue to support it. In answer to a question from Commissioner Barton, he said the Port will save approximately \$23,000 per year with the pay freeze and approximately \$28,000 per year by cutting holiday pay. Commissioner Goblirsch noted that Mann had turned down the 2% merit increase he had been offered during his performance review. Brian Barth said he hoped the Port staff knew how much their work was appreciated.

Don Mann reviewed the recommendations of the Budget committee:

- Prepare a cost-of-service study for services the Port provides.
- Assess service fees, live-aboard fees, moorage fees more closely to see if they should be increased more.
- Implement an RV rate that combines all fees and surcharges.
- Bring annual savings into a fund for projects and long term maintenance.
- Determine if there is a different price for compacted trash versus loose trash.

Julie Hanrahan said she would also like to see an industry comparison of live-aboard rates, and Commission President Goblirsch said she would like to address live-aboards at the commercial marina in the future.

The Chairman called for a motion on the budget.

Budget Committee member Fred Postlewait moved to accept the Port of Newport Proposed Budget for Fiscal Year 2009-2010 with the modifications indicated, and recommended the document to the Port of Newport Board of Commissioners. Budget Committee member Julie Hanrahan seconded the motion and it passed with all in favor.

A second meeting would not be necessary. The Port Commission reserves the right to make adjustments to the budget up to 10% without calling the Budget Committee back into session.

## **VIII. ADJOURNMENT**

There being no further business to come before the Budget Committee, Chairman Benfield adjourned the meeting at 7:45 p.m.

ATTEST:

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Ginny Goblirsch, President

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JoAnn Barton, Secretary