

PORT OF NEWPORT
MINUTES
May 11, 2011
Budget Committee Meeting

I. CALL TO ORDER

The Budget Committee Meeting of the Port of Newport was called to order by Budget Committee Chairman Fred Postlewait on Wednesday, May 11, 2011, at 5:30 p.m. in the Port Conference Room, the same being within the boundaries of the Port District.

II. INTRODUCTIONS

Port Commissioners: Ginny Goblirsch, President; JoAnn Barton, Vice-President; David Jincks, Secretary; Dean Fleck, Assistant Secretary-Treasurer.

Budget Committee Members: Ron Benfield; Fred Postlewait.

Port of Newport Staff: Don Mann, General Manager; Patti Britton, Director of Finance; Maureen Keeler, Special Projects Manager; Barb Martin, Accounting Assistant A/R; Patty Benjamin, Administrative Assistant.

Others: Jim Shaw, South Beach resident.

III. ELECTION OF CHAIRMAN

Fred Postlewait was appointed Budget Committee Chairman.

IV. BUDGET CALENDAR

General Manager Don Mann pointed out that, if a second meeting was necessary, it would be scheduled for May 25, 2011, and staff would submit the notice for publication on May 18, 2011 to meet the required time limit.

V. BUDGET MESSAGE

General Manager Don Mann read the Budget Message for F/Y 2011-2012 aloud. Highlights of the Budget Message were shown on a screen using PowerPoint. Those highlights included a 2% increase in commercial and recreational moorage fees. The budget sought a net property tax receipt of \$84,723, or 2.7% of the Port's General Operating Fund revenues.

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

The FY 2010-2011 budget had provided for a 4% overall increase in Personal Services. The proposed FY 2011-2012 did not include an increase, although the General Manager suggested that the Port Commission revisit that issue mid-year, depending on revenue forecasts.

Work sessions on the FY 2011-2012 had been conducted with the Port Commission in April and May 2011, and the Commission had reviewed, discussed, and assisted in prioritizing specific maintenance and repair projects. Capital expenditures included repairs to the Port Dock 5 pier and gangway approach, possible fender pile replacement at the hoist dock, ongoing repairs to G Dock at the South Beach Marina, and continued work on the International Terminal Renovation Project.

The Facilities Maintenance Reserve Fund had a balance of \$22,350 from the previous year. A transfer of an additional \$20,000 from the Operating Fund was proposed in the FY 2011-2012 budget. At the Commission's request, the new revenue from the proposed 2% increase in commercial and recreational moorage, estimated at \$22,000, would also be dedicated to the Facilities Maintenance Reserve Fund, bringing the total of funds available to \$64,000.

The construction of the NOAA Marine Operations Center-Pacific Homeport was essentially complete. The upland facilities and three berths were turned over to NOAA

on April 29, 2011 and the final turnover was expected no later than July 1. The project was completed ahead of schedule and under budget. Day CPM will manage the facility through the first year warranty period. Any savings on the project and revenue realized through the first year will stay in the NOAA Lease Fund through the warranty period.

Mann emphasized that he and staff recognized the continuing economic challenges that the Port would face going forward and only the absolute needs and resource limitations would be considered in approaching spending decisions. Approval for any capital expenditures would be subject to final review and approval by the management staff team and the Port Commission where appropriate, and those types of expenditures would not be made unless the actual revenue to cover them was assured to be received by the Port. Mann expressed his appreciation for Port staff's dedication to the Port and for the hundreds of hours volunteered by the Commission.

VI. REVIEW OF BUDGET DOCUMENT

Finance Director Patti Britton led the discussion on revenue. Using a pie chart illustration, she noted that the largest percentages of projected revenue would come from moorage, the RV Park, and leases. In answer to a question from Ron Benfield, the General Manager said there would be no additional space available in the commercial marina until some of the damaged or deteriorated docks were repaired or replaced. The Port had lost one lessee when Port Dock 2 was removed to accommodate the NOAA facility but one new tenant had leased office space at the new terminal building. In answer to a question from Ron Benfield, the General Manager said lease values were based on the county's assessed value of the property and the Consumer Price (Portland) Index. Britton reported that RV Park revenue had been down 12%-14% during the current fiscal year. While the cash flow continued to cover debt service, even at the lower levels, the revenue projections for the RV Park in the proposed 2011-2012 budget were conservative. Commissioner Jincks asked what the "break even point" would be, where declining RV Park revenue would generate concern. Britton said she would calculate that figure based on the quarterly statements she provides the Commission and include it in her next manager's report.

Using a pie chart illustration, the General Manager Mann pointed out that Materials & Services and Gross Wages made up the largest percentages on the expense side. The Benefits and Workers Compensation chart had stayed fairly flat from the previous year and legal and audit fees were in line with the previous year, as well. The Port had contracted with a security service in the second quarter of the current fiscal year, eliminating three full time positions, for a savings of about \$20,000. The projected cost for security service had increased for 2011-2012 due to a request from the security company for a fuel surcharge, but Mann said the amount of that surcharge had not been finalized yet. An increase of 6% in utilities was anticipated. Commissioner Jincks suggested applying a utilities surcharge when vessels leave high-powered lights on unnecessarily all night, or use double plug-ins and burn out the sockets in the power boxes on the docks. He asked that Port personnel walking the docks look into that. Mann said funds had been moved from the advertising budget into general operations. Commissioner Goblirsch cautioned against drastic cuts in advertising for the South Beach Marina and RV Park.

The General Manager reviewed the projects shown on the Capital Outlay screen. Those projects included rebuilding G Dock at the South Beach Marina. That project was the priority for the south side and some equipment was already being stock piled to use in rebuilding the dock. The Finance Director discussed debt service, highlighting a bar chart illustrating the rate at which operating fund debt service would drop off from the next fiscal year to FY 2029-2030.

Moving on to the Facilities Maintenance Reserve Fund, the General Manager explained that \$64,000 of the fund in the next fiscal year would be dedicated to replacing the header and gangway connection at Port Dock 5, which would extend the life of the gangway connection and reduce the Port's liability. Commissioner Jincks said he felt another \$40,000 should be found in the budget to replace the gangway at the same time, completing the project. A discussion followed about the construction savings that would be realized in mobilizing a crane and barge just once, and the risk of the ramp failing after the header and connection were replaced. Jincks said he realized that rebuilding G Dock was a priority at South Beach but that project did not involve the same level of risk and liability as the Port Dock 5 gangway. He added that he would like to work with the General Manager and Finance Director on finding additional money in the budget for the Port Dock 5 gangway project, and the Commission and Budget

Committee agreed that could be done without calling a second meeting of the Budget Committee.

The Chair recognized South Beach resident Jim Shaw, who asked how the NOAA research vessels would be fueled.

VII. DISCUSSION BY BUDGET COMMITTEE

Since the proposed budget had been discussed during the review of the budget document, the chair called for a motion.

Budget Committee member Ron Benfield moved that the Port of Newport budget committee approve taxes for the 2011-2012 fiscal year at the rate of \$0.0609 per \$1,000 of assessed value for operating purposes, and in the amount of \$481,627 for payment of bond principal and interest, and recommended the document to the Port of Newport Board of Commissioners for adoption. Commissioner Goblirsch 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 Postlewait adjourned the meeting at 7:08 p.m.

ATTEST:

Ginny Goblirsch, President

David Jincks, Secretary