

resolution that summarizes and authorizes staff wages and benefits, and (3) a capital improvement list prioritizing projects. Copies of those draft resolutions are included in this packet.

The proposed budget is a document comprised of five separate funds: Bonded Debt Fund, Facilities Maintenance Reserve Fund, Construction Fund, NOAA Lease Revenue Fund, and General Operating Fund. All day-to-day operations are accounted for in the General and NOAA Funds. Below is a break- down of the proposed budget by business unit.

FIG 1. - BUDGET 2017-2018 BY OPERATIONAL DEPARTMENT

	GENERAL						NOAA
	Admin.	NIT	So. Beach	No. Comm.	Maint.	Total	Total
OPERATING							
Income	\$665,178	\$388,000	\$1,687,000	\$784,000	\$0	\$3,524,178	\$2,552,500
Expense	\$928,962	\$652,627	\$1,253,133	\$645,190	\$119,688	\$3,599,600	\$2,390,589
<i>Personal Service</i>	\$539,210	\$77,575	\$363,262	\$255,535	\$113,788	\$1,349,370	\$82,385
<i>Materials &amp; Service</i>	\$371,900	\$137,400	\$673,550	\$352,800	\$5,900	\$1,541,550	\$306,470
<i>Debt Service</i>	\$17,852	\$437,652	\$216,321	\$36,855	\$0	\$708,680	\$2,001,734
NET OPERATING	(\$263,784)	(\$264,627)	\$433,867	\$138,810	(\$119,688)	(\$75,422)	\$161,911
NON-OPERATING							
Income	\$226,000	\$0	\$0	\$0	\$0	\$226,000	\$500,000
Expense	\$345,000	\$6,900	\$75,000	\$0	\$20,000	\$446,900	\$666,000
<i>Capital Outlay</i>	\$0	\$6,900	\$75,000	\$0	\$20,000	\$101,900	\$66,000
<i>Transfers</i>	\$160,000	\$0	\$0	\$0	\$0	\$160,000	\$500,000
<i>Other</i>	\$185,000	\$0	\$0	\$0	\$0	\$185,000	\$100,000
NET NON-OPERATING	(\$119,000)	(\$6,900)	(\$75,000)	\$0	(\$20,000)	(\$220,900)	(\$166,000)
NET INCOME	(\$382,784)	(\$271,527)	\$358,867	\$138,810	(\$139,688)	(\$296,322)	(\$4,089)

**HIGHLIGHTS**

International Terminal Shipping Facility. Developing the Port’s 9-acre parcel at McLean Point into a leasable shipping facility has been the Commission’s top priority for several years. The International Terminal business unit has been losing hundreds of thousands of dollars a year since the facility was completed five years ago. Our FY 15-16 audit showed the International Terminal losing \$220,000 with an outstanding debt balance of \$5.2-million. Other port activities (primarily South Beach) have subsidized the loss. The losses are driven by the annual debt service payments which are budgeted to be \$437,000 in FY 17-18.

FIG. 2 - TERMINAL OPERATING PROFIT AND LOSS (FY 15-18)

Shipping operations not included.

		FY 15-16	FY 16-17	FY 17-18
		Audit	Budget	Budget
<b>OPERATING REVENUE</b>				
	Operational Income	\$383,325	\$285,000	\$388,000
		<b>\$383,325</b>	<b>\$285,000</b>	<b>\$388,000</b>
<b>OPERATING EXPENSE</b>				
	Debt Service	\$441,442	\$437,756	\$437,652
	Materials & Service	\$102,130	\$108,100	\$137,400
	Personal Services	\$59,543	\$71,486	\$77,575
		<b>\$603,115</b>	<b>\$617,342</b>	<b>\$652,627</b>
	<b>NET OPERATING</b>	<b>(\$219,790)</b>	<b>(\$332,342)</b>	<b>(\$264,627)</b>
	<b>LONG TERM DEBT BALANCE</b>	<b>\$5,241,416</b>	<b>\$5,005,206</b>	<b>\$4,753,281</b>
<i>Balances at end of fiscal year</i>				

Since the terminal construction was completed in 2013 and with the absence of shipping, the distant water fleet and midwater trawlers have expanded their use of the facility. In 2014, those Oregon vessels generated \$128-million in fish landings in Alaska and are an economic driver for Lincoln County, but have not generated enough revenue to make up the negative net operating income at the terminal. The Port is committed to working with the distant water fleet and midwater trawlers so that they are part of the process as this project develops.

#### *OPPORTUNITY FOR NEW CASH FLOW AND ECONOMIC DEVELOPMENT*

The Port has generated a number of market studies (ref. Shipping Facility Feasibility Study, June 2016; Terminal Renovation Project Economic Analysis, January 2012; and Haglund Softwood Log Export Analysis, April 2014) that show that the log market in Lincoln County is strong.

- Teevin Bros., who will lease the Port's 9-acre facility, is a proven operator and has signed a lease for up to 20-years.
- Ten shipments per year is sustainable and only account for 5% of the private market proving the log market is valid.
- Teevin's heavy equipment would provide opportunities for other commodities.
- Even though the market is lower than during the recession (a boom time for exports), demand continues at the Ports of Astoria and Coos Bay.
- There is a significant transportation cost savings by shipping out of Newport, since most of the timber is within 30-50 miles of Newport.
- The development of a maritime industrial park with private and city urban renewal investment would leverage the Port's investment and provide additional warehousing and laydown areas for the commercial fishing fleet.
- An estimated 50 new jobs would be created with the addition of this shipping facility.