

March 19, 2024
12:05 P.M.
Newport, OR

PORT OF NEWPORT BUDGET COMMITTEE MINUTES

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

The Port of Newport Commission met on the above date and time at the Administration Building, 600 SE Bay Blvd., and virtually via Microsoft Teams. In attendance were Commissioners Ruddiman, Retherford, Chuck, Lackey, and Sylvia as well as Freeholders Paul Zellman, Rex Capri, Carol DeLong, Larry Osborne, and Jeffrey Johnson. Also in attendance were Executive Director Paula Miranda, Director of Business and Finance Services Mark Brown, Operations Director Aaron Bretz, PR Consultant Angela Nebel, and Administrative Assistant Gloria Tucker.

INTRODUCTIONS

The Budget Committee members introduced themselves.

SELECTION OF BUDGET COMMITTEE CHAIR

MOTION was made by Lackey, seconded by Retherford, to appoint Rex Capri chair of the meeting. The motion carried unanimously in a voice vote.

BUDGET MESSAGE

Miranda presented the Budget Message included in the packet.

REVIEW PROPOSED BUDGET

Brown overviewed the process for approving the 2024-2025 Fiscal Year budget. He reported this year staff used a different process; they did a zero-based budget. He stated the budget to actuals were having too big of a variation, and he wanted managers to know their budgets. He stated it worked reasonably well. Sylvia asked if staff expect to do zero-based budgets in the future as well. Brown replied staff still discussing. Sylvia asked what would be the negative of zero-based budgets. Brown replied the time it takes each manager to develop their budget. Miranda stated staff may do this every three or four years so the process takes less time. Osborne stated he appreciates zero-based budgeting. He noted it makes it a little bit hard to compare with the past, but it gives everyone a better idea of where the Port is at this time.

Brown reported a highlight of the budget is a change from \$39 million to \$79 million, primarily due to the Port Dock 7 project. He stated projects in current fiscal year are in the departmental budget, and if staff anticipate doing a project in a future year, it's in the facility maintenance reserve fund. He noted that gives a better picture of what each department is doing. He indicated the ending balance/reserve is \$1 million, which will be in the unallocated fund. He added staff did not increase.

Brown reported the discontinued construction fund is included in the budget because it has to be shown for a couple of years. He stated if the Port gets the funds for Port Dock 7 in advance,

a new fund would be made for tracking. He noted all future year projects are included in case a funding source comes through ahead of time. He explained the facility maintenance fund. Capri clarified with staff the Port Dock 7 project is in the facility maintenance fund. Capri asked if the figure for that project matches the grants. Brown replied he anticipates a \$35 million budget and \$35 million in grants. He explained the reserve fund was previously the NOAA capital reserve fund. He indicated it was reserved for NOAA capital projects. He added he did a cash flow analysis at the end of the NOAA lease, 2031, the Port will have 3 million in that fund.

Brown reported if the Port keeps NOAA here and they need more improvements, the Port can spend from that fund. He explained the Port can borrow against the funds in the reserve fund if needed with Commission approval. Lackey confirmed with staff the unappropriated ending balance of \$300,000 in the reserve fund is part of the overall unappropriated balance of \$2.1 million.

Brown explained what makes up resources/revenues. He stated he is predicting a fairly stable revenue stream. He noted the RV Park revenue should increase, the lease revenue is steady, and there is an increase to cargo revenue, conservatively the Port is estimating 90 visits by wave energy. Miranda noted she also applied for Congressionally Directed Spending for the RORO Dock, and this year will apply for dredging of South Beach Marina, \$1.5 million.

Brown explained the unallocated budget requirements. He reported in unallocated, the big debt is the full faith and credit, which is paid off by 2034. He noted all loan interest is 3 percent or less, so it doesn't make sense to pay them off early. He stated one new loan is for the 55-ton crane at NIT, and a second is a \$1.1 million loan to rebuild the Seawall. He explained the project cost has risen for the seawall to \$2.2 million. He added (with the Port's earnings vs the loan interest,) the Port is earning 1.8 percent on its loans.

Brown reported most debt will drop off by 2034, not including the Administration Building. Lackey stated he thinks the Port has done a good job on its debt. He noted the Port was not in great shape when the Terminal had to be rebuilt, but the Port is in much better shape than it was. Miranda stated she is not afraid of debt as long as there is a source of funding for it. Brown noted an offset debt, Oregon Brewing Company (Rogue) was paid off in January.

Brown overviewed the projects for Administration, Commercial Marina, Terminal, NOAA, and South Beach. Capri clarified with staff docks and piers projects refer to maintaining Port Dock 5 and 7 until replacement. He clarified with staff the capital outlay for the Commercial Marina building is replacement of an oil tank and building, roof replacement, and a shop office addition.

Miranda reported staff have been talking to a fair amount of people interested in using the Terminal, some are tire kickers. She noted some forest industry folks wanted to come, but the Port didn't have the equipment. She explained some folks said they have their own equipment, but not much came out of that. She stated this is a multi-use dock and fishermen work out of there, so the Port will have to coordinate with all users. She indicated when staff have more certainty, they will work together on scheduling. She added some opportunities may arise working with the maritime highway project.

Capri asked if long-term, the most likely users would be barges because of the restrictions here. Miranda replied most likely there would be ocean going barges. She noted cruises don't work because of the how low the bridge is. She added Handy(max) vessels may be a possibility for hosting. Capri asked if the new equipment is versatile with different loading attachments. Bretz replied that will depends on the machine, and it has to meet the requirements of the grant. He explained the differences between CAT 9088 and Wagner 190.

Osborne asked how the Port is positioned as far as other ports in Oregon. He stated he knows Coos Bay is attempting to revive its industry. Miranda replied that she can't speak entirely for them, but her understanding is that their main focus is a container terminal; they are putting a lot of their time and effort into that. She noted Coos Bay is not interested in the maritime corridor. She indicated Coos Bay has fishing as well but does not think anything is changing for them in that regard. Bretz overviewed the new mobile crane at the Terminal.

Capri asked when the Port would grade the nine acres at the Terminal. Bretz replied it would probably be in the summer of 2025. Miranda noted she kind of put a hold on that project because of the grant funding. Zellman asked how long that area was ungraded. Bretz replied it has been ungraded since 2012. Zellman asked if there are any plans to get rid of junk on the south end of the Terminal that has not moved in a long time. Bretz replied that area is Rondys property, which the Port leases to store equipment. He explained customers pay the Port to store that. Miranda noted some of it is worth a lot to its owners. Discussion ensued on importance of fencing. Zellman clarified with staff the fees for the cargo visits to the Terminal.

Zellman confirmed with staff there is a budget to limp along the RV Park Annex until it is rebuilt. Johnson asked if there would be electric car charging stations, solar panels, or some green energy at the new Annex. Brown replied that is possible. Miranda replied those would be brought in as funding becomes available. Bretz added he is working with suppliers trying to get it to pencil out.

Capri asked if the Port is doing everything it can to maintain its NOAA facilities, so Newport is real attractive when that contract comes up. Miranda replied she is working with the city trying to bring passenger flights to Newport. She stated the Port has many obligations for the buildings and dredging. She added NOAA is one of the Port's most well-kept facilities. Capri confirmed with staff NOAA's location does not help get dredging at the Port. Osborne stated he understands there is a new research vessel in the area. He asked if that will replace an existing vessel. Miranda replied OSU got rid of their old research vessel. Osborne confirmed with staff the Port has already started the conversation with NOAA about their lease renewal.

Brown reported the Government Obligation Bonds, GO Bonds, are fully paid off in 2037. Miranda added the Port saved the public some money by refinancing those a few years ago. She explained the history of Terminal renovation. Brown explained efficiencies gained in the new financial system and HR system. Capri asked if there is a dollar amount of savings for those efficiencies. Brown replied the ROI is less than two years, by March of next year the Port will have paid for this software.

Sylvia asked if staff have a sense of real cost increases overall for the Port, personnel vs regulatory vs hard costs like equipment. Brown replied the Port is keeping staff longer than it used to. He stated one reason for the increase is to bring staff up to livable wages and meet market rates for the area. Sylvia asked if staff expect those increases to stay high. Brown replied he does not. He explained he looks at what is in the budget, includes increase by CPI for staff and includes merit increases. Miranda explained the history of the wages at the Port. Sylvia asked if there was a wholesale price index for ports, what is a guess at what that is for the Port of Newport. Bretz explained how decisions like assigned moorage increase cost because of the need to hire one position or more. Brown replied the biggest cost increase is materials and professional or contracted services, 7-10 percent. Miranda added the Port has been doing more and more projects, which means hiring a lot of consultants because of capacity and expertise. She noted one area that may need to be considered is hiring a projects person.

CONCLUDING COMMENTS

Miranda reported the Port's biggest project is Port Dock 7, and then to continue to dredge all berths. She noted the Port has many overused and undermaintained assets, and that is a reality of every Oregon port. She stated the Port can do better than that, and her goal is to get things done and figure out a way to pay for it.

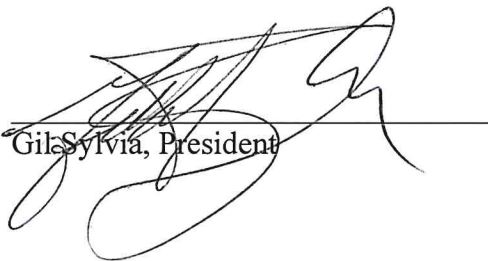
Chuck thanked the Committee for its time and effort. Capri thanked the staff for their efforts in moving things forward. Miranda thanked staff and Commissioners. Osborne added it's an exciting time to be involved with the Port of Newport. Sylvia and Rutherford thanked the staff for their efforts.

MOTION was made by Johnson, seconded Osborne, to approve the budget for Fiscal Year 2024-2025 in the amount \$79,016,007. The motion carried unanimously in a voice vote.

MOTION was made by Johnson, seconded by Zellman, to approve property taxes for Fiscal Year 2024-2025 at the rate of .0609 per 1000 of Assessed Value for the Permanent Rate Tax Levy, and in the amount of \$855,000 for the General Obligation Bond Levy. The motion carried unanimously in a voice vote.

ADJOURNMENT

Having no further business, the meeting adjourned at 1:57 p.m.



Gil Sylvia, President

ATTESTED:


Walter Chuck, Secretary/Treasurer