

PORT OF NEWPORT
MINUTES
May 12, 2010
Budget Committee Meeting

I. CALL TO ORDER

The Budget Committee Meeting of the Port of Newport was called to order by Fred Postlewait on Tuesday, May 12, 2010, 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; Dean Fleck, Vice-President; David Jincks, Asst. Secretary-Treasurer.

Budget Committee Members: Ron Benfield; Julie Hanrahan; 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; Gina Nielson, Marina Office Supervisor; Patty Benjamin, Administrative Assistant.

Others: Terry Dillman, News Times.

III. ELECTION OF CHAIRMAN

Ron Benfield nominated Fred Postlewait as Budget Committee Chairman. Commissioner Jincks seconded. There were no further nominations and the motion passed with all in favor.

IV. BUDGET CALENDAR

General Manager Don Mann pointed out that, if a second meeting was necessary, it would be scheduled for May 25, 2010, and staff would submit the notice for publication on May 19, 2010 to meet the required time limit.

V. BUDGET MESSAGE

General Manager Don Mann read the Budget Message for F/Y 2010-2011 aloud. Highlights of the Budget Message were shown on a screen using PowerPoint. Those highlights included a 3% increase in commercial moorage fees, a 4% increase in recreational moorage fees, a \$1.50 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; maintain and service equipment and vehicles; help with increases in materials and service costs; further decrease deferred maintenance; and provide funding to move forward with a phased 5-year dock and pier improvement plan. The budget sought a net property tax levy of \$66,075, representing 1.7% 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 MOC-P Fund.

The FY 2009-2010 budget had not provided for merit or cost of living increases for employees and holiday pay was eliminated. The proposed FY 2010-2011 budget allowed for an approximately 3% increase in gross wages and reinstated paid holidays. A contract with private enterprise for security services would be considered, reducing three FTE positions.

Capital expenditures included renovations on Port Docks 7E and 7F as part of a project that would be phased over two budget cycles. The International Terminal Renovation Project and the NOAA MOC-P Homeport Project would continue as capital expenditures, as reflected in the Construction Fund and NOAA MOC-P Fund. The revenue bond sale for the NOAA MOC-P Project was scheduled for June, which would complete the funding package for that project. New debt service would be realized for the construction of two new buildings at the terminal and for the first phase of the Port Dock

7 dock upgrades. Those capital expenditures would total approximately \$800,000. One pickup truck would also be replaced in the new fiscal year.

No transfer to the Maintenance Reserve Fund was budgeted for FY 2010-2011.

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.

VI. REVIEW OF BUDGET DOCUMENT

Finance Director Patti Britton led the discussion on revenues. Using a pie chart illustration, she noted that the largest percentage of projected revenue would come from moorage, loans, and the RV Park. General Manager Mann mentioned that the number for commercial and terminal moorage represented a 3% increase over the current rate, and the number for South Beach reflected a 4% increase. Fred Postlewait noted that the entry for bad debt was a fraction of what it had been in previous years. In answer to a question from Ron Benfield, the General Manager said the Port of Newport's moorage rate and services were comparable to other Oregon ports, but Newport serviced a larger and more active fleet.

Moving on to leases, Britton noted that the leases for Carvalho and Yaquina Bay Fruit Processors would go down because Carvalho moved from its Port Dock 2 location and Yaquina Bay Fruit Processors had reduced its footprint. Commissioner Jincks asked why the lease with Pacific Shrimp did not reflect the increase in moorage and Mann said that might be an oversight. In answer to another question from Commissioner Jincks, Britton said that part of the revenue from the lease for the South Beach Fuel Dock was based on the fuel sales, and Barb Martin, A/R, added that the projection for revenue from the Carver lease had been a bit high for FY 2009-2010 but this year's projection should be more on target.

The proposed budget reflected a 3% increase in services fees, apart from lot storage which was increased \$0.01 per square foot per month.

Rates at the RV Park were increased by \$1.50 per night (\$1 plus .50 surcharge) bringing the RV Park rate to \$37 per night. The RV Park had adopted a seasonal rate structure with lower rates in the off season. Postlewait asked about the larger projection for the RV Park Annex for FY 2011 and Britton explained that occupancy had been higher due to people staying at the Annex while working on the Highway 20 project, the bayfront project, and the Port's projects. Another season of higher occupancy at the Annex was projected.

Miscellaneous income included the first rise in shower fees in nearly ten years. The price of a hot shower was increased from \$0.75 to \$1, with the same increase in laundry fees.

Materials and Services made up the largest portion of the expense diagram at 32%, with Capital Outlays and Gross Wages at 24% and 21%, respectively. Janitorial and landscaping services had been added to contract services.

General Manager Mann said that utilities had increased an overall 9%, with an increase in garbage fees of 17%. Commissioner Jincks asked if the increase was based on rates going up or usage and Britton explained that it was a combination of both. After further discussion, Commissioner Jincks said he would like to see a breakdown of utility users that would determine whether the commercial moorage holders' usage of utilities had increased 9%. If the larger user of utilities was the RV Park, he suggested that perhaps it should incur a higher cost than moorage holders. Britton referred him to the quarterly charts she produces for the commission meeting packets that break revenue and expenses down by departments. Mann said he had factored in the overall expense of the deferred maintenance that was included in the budget for the next fiscal year as well. A discussion followed about initiating charges for dumping fish waste and requiring permits or licenses for doing business on Port property. Mann said staff would double check the utilities increase numbers and address Commissioner Jincks' questions.

General Manager Mann noted that the proposed budget included funding to cover consulting fees for a marketing consultant to assist in raising additional funds to complete the final phases of the International Terminal Renovation Project.

General Manager Don Mann said that he had put money directly into the budget for Repairs and Maintenance, rather than putting the money into the Maintenance Reserve Fund. The money was earmarked to complete some of the deferred maintenance, particularly at the commercial marina. He added that any money left over from the \$60,150 designated for repairs and maintenance at the commercial marina could be transferred to the Maintenance Reserve Fund later in the budget year. In answer to a question from Commissioner Jincks, Mann said the budgeted amount of \$60,150 was over and above the loan for dock renovations at Port Dock 7 and would be used towards repairs and maintenance of the entire commercial marina complex. Jincks said he would like to see a breakdown of what would be maintained with the budgeted amount, particularly in light of the 3% increase in commercial moorage fees. Finance Director Britton said the chart on the screen was a "collapsed version" and how the funds were dedicated had been planned out in detail. She added that the largest portion was dedicated to the docks. Mann said the numbers could be adjusted or the entire amount put into the Maintenance Reserve Fund if that was the direction of the committee. A discussion followed about the time frame for repairs and maintenance at the terminal. Mann said the \$20,000 budgeted for the terminal would include maintenance on the crane, and maintenance and new tires for the forklift. He added that those numbers could be broken down for clarification as well.

A brief discussion followed about the cost of removing of abandoned vessels and steps the Port is taking in requiring proof of insurance from the vessel owners.

The General Manager explained the Capital Expenditure projects, including upgrades and improvements on Port Dock-7 E and F, and the two new buildings at the terminal. He said it might be possible to get a national permit for the dock work with a goal of making the 2012 in-water work window. He said he expected to have a layout prepared to present to the commission within thirty days. The \$500,000 Capital Outlay to build the terminal office and shop and the tenant's warehouse at the terminal had originally been part of the Terminal Renovation Project budget but was removed so that bond funds could be focused on the terminal piers and not the upland work. Construction of the buildings would now be financed by the Port through a loan. In answer to a question from Ron Benfield, General Manager Mann said he had consulted with bond counsel about changing the complexity of the project. A discussion followed about the challenges involved in gathering the \$6 million that would be needed to finance the second and third phases of the terminal renovation. The General Manager said this was not a position the Port had expected to be in but there was no alternative but to do it that way. He added that he had been in touch with Oregon's congressional delegation about tapping into government programs. Further to the Port Dock-7 E and F docks project, Commissioner Jincks suggested scheduling a commissioners' dock walk so that they would understand what the project was going to accomplish.

A discussion followed about the savings that could be realized by contracting the Port's security services to private enterprise. Mann emphasized that there was nothing in the proposed budget that would take those positions away, but if the commission adopted his recommendation, the overall annual savings would be approximately \$40,000. The process would involve public solicitation and the service would be put out for bid. Julie Hanrahan said, if that happened, she hoped the contract would go to a local company.

Commissioner Jincks mentioned that the Port might also be looking at replacing the administration office, due to the deteriorating condition of the present office space. He said he and the General Manager had been looking at floor plans for a modest, functional, stand-alone office. A brief discussion followed about the possibility of renting trailer offices or leasing some of the empty office space that is available in Newport. Commissioner Jincks said the Port could have some "interesting times" ahead, with parallel projects and debt service, and urged caution going forward. General Manager Mann said he did not know at that point how much it would cost to build a new office, and Finance Director Britton said the Port would be retiring more operating fund debt in 2013.

There were no questions on the review of Other Funds; however Ron Benfield suggested that the Finance Director create a bar chart of the existing debt spread out over its life so the rate at which it was dropping off could be tracked on an annual basis.

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 2010-2011 fiscal year at the rate of \$0.0609 per \$1,000 of assessed value for operating purposes, and in the amount of \$781,926 for payment of bond principal and interest, and recommended the document to the Port of Newport Board of Commissioners for adoption. 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 Postlewait adjourned the meeting at 7:18 p.m.

ATTEST:

Ginny Goblirsch, President

JoAnn Barton, Secretary