

## PORT OF NEWPORT MINUTES

September 26, 2017

Commission Work Session

### I. CALL TO ORDER

Commission President Patricia Patrick-Joling called the Special Commission Meeting of the Port of Newport Board of Commissioners to order at 12:00 noon at the South Beach Activities Room, 2120 SE Marine Science Dr., Newport OR, 97365

**Commissioners Present:** Walter Chuck (Pos. #1); Sara Skamser (Pos. #2); Stewart Lamerdin (Pos. #3), Secretary/Treasurer; Jeff Lackey (Pos. #4), Vice-President; and Patricia Patrick-Joling (Pos. #5), President.

**Management and Staff:** Aaron Bretz, General Manager Pro Tem; Mark Harris, Staff Accountant; Karen Hewitt, Administrative Assistant.

**Members of the Public and Media:** Doug Cooper, Hampton Lumber; Steve Beck; Dietmar Goebel, Newport City Council; Heather Mann, Midwater Trawlers Cooperative.

### II. PERMANENT GENERAL MANAGER RECRUITMENT

- A. Approve Job Description
- B. Name a Salary & Benefit Range
- C. Resolution for Process

Bretz introduced the staff report and supporting documents regarding Recruiting Services Options. He recommended SDAO as the best value. The Commission would still need to approve salary and benefits. The Commission may have different ideas about when and the scope. Patrick-Joling said she had spoken with legal counsel about the by-laws time line of 6 months, which was not necessarily a limitation. She suggested getting a handle on the Financial Consultant before recruiting a General Manager. Lamerdin suggested filling the General Manager position first. Patrick-Joling said she would prefer to fill the Financial Consultant and Director of Finance positions as an immediate need. When they are situated, the Port could recruit a General Manager. Lamerdin said the Commission could select a General Manager first, who then could put together a team. Patrick-Joling said that was true, but she also felt the need for a Financial Consultant, who would help provide more of a platform for the General Manager. Bretz said that attorney Pete Gintner suggested the political state may encourage the Port to get the General Manager position filled. The Commission may want to talk to people at the state level about the time line. Patrick-Joling said that SDAO said they have had some positions that took two years to fill. She asked what SDAO had quoted as a time estimate for recruiting a General Manger; Bretz replied 4 – 6 months. Lamerdin asked if in the cases where a General Manger Pro Tem was in a position for two years, were the other management positions filled. In the Port of Newport's case, Bretz was doing two jobs. Skamser said she had made notes about revisions to the job description, and also had questions about human resources. She was looking for the management positions to work together, and wondered why Human Resources was included in the Director of Finance's duties. Bretz said the Port has divided the duties among the management. Some of the finance process was given to the Director of Operations, and some additional duties were added to the Director of Finance. Lamerdin commented that Human Resources included payroll, benefits, etc. Skamser said Human Resources had been important under Greenwood. This was also important for morale. Bretz said Human Resource duties also included evaluating the pay schedule and criteria. Patrick-Joling asked about Larrabee also overseeing the RV Park. Skamser said that seemed like an odd mix. Bretz said the Port could look to find these competencies when hiring. The Commission needed to figure out if it moved around job duties, they would also have to define the Director of Operations position. There is only so much that can be

reassigned. He also referred to a sample prospectus from the Director of Operations search. Lamerdin asked if Larrabee had responsibility for the RV Park just based on workload. Hewitt said the RV office staff were also under the finance department.

Skamser said she wanted to make sure the General Manager position was defined before recruitment. Patrick-Joling said the Commission had time. She again suggested moving forward with the Financial Consultant and Director of Finance. Patrick-Joling asked about Bretz' assessment of Richard Stellner. Bretz said that Stellner had received high marks from the Port of St. Helens and had filled a number of positions overall. Stellner did not work as an employee, but they go to him frequently as a consultant. Bretz recommended SDAO because the Port of Newport has worked with them in the past, they have a detailed process, and a good rate. BBSI was a local branch, mid-priced, and was willing to do what would be needed. Patrick-Joling said she was aware of BBSI and has used their services. Chuck said he would like to see the search for the General Manager first, who can be part of hiring the Director of Finance in concert with the Financial Consultant. Bretz said that could be done, and would recommend a Financial Consultant who can bring on a Director of Finance as well as work on developing staff.

Lamerdin suggested the Commission should finish discussing the General Manager position. Patrick-Joling said she had concerns about moving forward with the General Manager and wanted to first hire a Financial Consultant. Lamerdin said the Commission was asking a lot of Bretz, and the General Manager search has to be a priority. Patrick-Joling said the Commission needed to decide who would recruit: SDAO, BBSI, or Stellner. She said she had personally heard of Stellner, who was well regarded, and who could recruit both a General Manager and Director of Finance. Bretz said when the process was identified, the Port could chose to contract out for preparing the job description as well. Skamser commented that BBSI was local which would mean less travel expenses. Patrick-Joling said she had done business with BBSI, and they have done a good job. Skamser wondered if SDAO would not cast a broad net in a search since they were special district oriented. Chuck said in the previous search SDAO had presented candidates from Louisiana, California and Alaska. Lackey asked if those candidates had port backgrounds. Chuck said yes for the most part. Lackey said his most important concern was getting the right candidates, but he was also concerned about cost. Bretz said SDAO could provide more specifics, and could seek candidates for both General Manager and Director of Finance. They cover Oregon Special Districts, and have filled a number of positions at different ports as well as other special districts. Patrick-Joling asked if any recruiter would offer a "two for one" deal. Lamerdin said he was also concerned about cost, and asked if using Stellner would be the best use of \$20,000. SDAO does a wide breadth search. If they did a good job in a cost effective way, he did not see the need to use Stellner. Patrick-Joling said she disagreed; all could get the information out there. Lamerdin asked why the Commission would chose the \$20K option. Patrick-Joling asked if there could be a two-for-one negotiation with any of the recruiters. SDAO is the norm; she wanted to look outside the box. The other two companies may take a difference approach. Stellner has a more personalized approach. Bretz said the proposal from Stellner was more in depth. Lamerdin said considering the difference in cost, when SDAO is well qualified, even a two-for-one agreement would be more cost effective with SDAO. Patrick-Joling said she recommended Stellner. Skamser said the SDAO quote included not to exceed 80 hours. Patrick-Joling asked if Chuck knew what SDAO charged for the Greenwood search. Lackey said it took two iterations to replace Don Mann. The cost of a less than optimal hire is far greater than \$20K. He would, of course, want the search to be cost effective. Lamerdin said he thought high caliber candidates would come from all three proposed recruiters. SDAO does recruit on a national level. He did not see the benefit to spending even more to get a smaller pool of candidates. Patrick-Joling said people she spoke with indicated that Stellner has a "good catch" on executives. Bretz said Stellner has a high reputation. Lamerdin said the strength of the search will depend on the job description itself; this is the responsibility of the Board of Commissioners. Skamser said it may be better to turn this over to whomever runs the selection process rather than having five people define a long list. Lamerdin said it comes down to dollars and cents. He asked the Commissioners to consider starting with SDAO and change if they weren't happy with the results. Bretz said he would rather stick with one choice; they could still end the contract if it wasn't working well, but he would not want to plan to switch.

**A motion was made by Chuck and seconded by Lamerdin to move forward with a contract with SDAO to complete a General Manager search. The motion failed 2 -3, with Patrick-Joling, Skamser and Lackey dissenting**

Lackey suggested moving forward with Stellner for recruitment of the General Manager; there are a lot of moving parts. Bretz said he didn't know if negotiations on the proposed contracts was possible.

**A motion was made by Lackey and seconded by Skamser to select Richard Stellner to conduct the General Manager search.**

Chuck said he thought SDAO was a better choice to search for the General Manager and the Director of Finance. He didn't see that much difference to warrant the additional costs. Lamerdin said he had not heard a convincing argument to spend more money.

**The motion passed 3 -2, with Chuck and Lamerdin dissenting.**

### III. FINANCIAL CONSULTANT

- A. Services for Backward-Looking Issues
- B. Services for Forward-Looking Issues

Bretz introduced the staff report and supporting documents for Financial Consulting and Services Options, and his recommendation to hire CFO Selections. Bretz said his recommendation was based in part on CFO Selections' work with the Port of Astoria, which was extensive and successful. Around the port world, CFO Selections was highly regarded. Lamerdin said there were multiple issues looking backward and forward. He had sent an email to Patrick-Joling regarding his recommendation for an outside audit to review current finances. The Commission also had a responsibility to the public, and an outside audit would ensure the most objective look at the Port's finances as possible. Skamser said she understood Lamerdin's point. An outside audit was considered with the finances leading up to the cargo deal. There was a lot at stake, but the Port ended up not getting the money – the backward issues solved their own problems. She did not see the need for a backward-looking finance review. Lamerdin said the public had questioned the Port's finances. Was Skamser suggesting everything was fine now? The audits had been questioned in certain circles. An outside audit would assure that the Port accounting was as sound as it could be, and could give advice for moving forward. Bretz said the Port is preparing for the fiscal year 2016-2017 audit now. Harris said the Port was in year four of a 5-year contract with Grimstad & Associates for auditing. Lamerdin said he would be assured by an outside audit. Skamser suggested there would also be public concern if the Port questioned its current auditor. Patrick-Joling said she had never advocated for an outside audit. She was looking for a Financial Consultant with the business and financial background to square some things. She was not alluding theft or fraud, but things misplaced. Patrick-Joling said she had not gotten straight answers to financial questions. A letter to EDA had suggested comingled funds, which made her suspect. Patrick-Joling said she is not advocating for an auditor, but the need for a Financial Consultant. One of the applicants had already done some groundwork.

Chuck said he agreed with Lamerdin that there had been a lot of public comment that something was "wonky." Stronger words had also been used, for example malfeasance. An outside audit would clear the air with constituents; Chuck had confidence in the Port's financial staff. Lackey said there is no question that the Port's current auditor had a long-standing reputation. He didn't think there were any questions on previous audits or the auditor. Lamerdin said there had been comments from the public about Port finances, and he recalled Patrick-Joling's comment that she was all about the numbers. Lamerdin said he thought it was worth looking backward to reassure the public in order to move forward. If the Board disagrees, so be it. Patrick-Joling said she felt confident that hiring a Financial Consultant would alleviate her concerns and those of the public.

Patrick-Joling said she was not familiar with Todd Kimball or CFO Selections. She knew Mr. Todd, had worked with him before, and knew his family for a long time. Lamerdin asked if he had been a consultant with the City of Newport. Patrick-Joling said she didn't know, but she had spoken with him when she was on the City Council. Chuck asked Bretz if he had solicited applications or just made calls. Bretz said he called who he could find. A Commissioner recommended Todd, and he had called other ports to find CFO Selections. Lackey said there was a cost concern, with quotes of \$65 vs \$75 per hour. He had other concerns about both applicants. Lackey said that Todd has some ideas, but CFO Selections has port experience and has listed different things they can do, including evaluating port personnel. He commented that for four years, the Port had averaged under \$1MM for personnel services, which was now budgeted at \$1.3MM. CFO's proposal included additional work for audit support if needed.

Bretz said the proposals did include different scopes of work, although both responded to the same request. Bretz did not ask for advice on shipping, rather to give advice on business units and lease revenue. Port staff does need to get caught up with the audit. Harris is on top of that. The Port needs a Director of Finance – Bretz is by himself in upper management. CFO had proposed more of what he asked for. Chuck asked if CFO Selections would work with Harris and the education of employees. Bretz said the Todd proposal was general and focused on finances. He would be a choice if the Commission were looking for General Manager advice by contract, rather than Bretz in the General Manager Pro Tem position. Bretz noted that Todd's proposal said he would report to the Commission rather than the General Manager Pro Tem. Lackey said it would be up to the Commission to say what the arrangement would be. This would be addressed with either proposal to narrow the scope. Both proposals are open-ended, and could run to greater than \$30K per month. Todd provided no time estimate. CFO proposed two days a week, but not a limit. The Commission should say specifically what is wanted. Bretz recommended adding a "not to exceed" clause. Patrick-Joling said the Financial Consultant should report to the Port manager. Patrick-Joling asked if Bretz could reach out to Todd for an amount. Lackey said the Commission needed to define the scope of work and check in with either applicant. For example, CFO Selections said it could analyze business and personnel. The Board could pick and choose functions, when they would be needed, and add "not to exceed."

Lamerdin said the Port needed to define the receivables. A consultant may need an open ended contract because they didn't know what may be needed. Skamser said the applications had listed a similar scope. It would be nice to have a consultant for future issues, but for now the scope should stick to Commission "goal #4" referenced in the staff report. Bretz said he had asked for "goal #4", but received two different proposals. CFO Selections delivered more of what was looked for by this goal. The Port of Astoria and others said CFO was extremely good, and they were highly regarded, similar to Stellner. CFO could also help bring aboard a new Director of Finance. It can be tough to bring individuals to the unique Newport environment, and CFO has a good network. Patrick-Joling asked if the Commission needed more information. Lackey said that Todd had already looked into things. CFO said they could serve as an outside sourced Director of Finance. The Commission needed to decide what they wanted, which may include assistance with daily accounting, business ideas, etc. Bretz said it seemed that putting business ideas ahead of finance concerns was backward. Everyone considered analysis of income and expenses, and different areas for decisions. One reason to choose CFO could be the Commission did not want someone who already had ideas but someone to come in and look at the numbers to see how to move forward. Skamser referred again to goal #4. Defining profit centers would help with evaluating finances. The CFO proposal seemed overreaching. The candidates had different personalities. Bretz said that he would like to get the scope of work done sooner than later. He recommended again a not-to-exceed clause. Lamerdin said he wanted to avoid getting stuck with a big bill. He like that CFO had worked with other ports, and bringing Astoria around was a good accomplishment. CFO could also work with Port staff.

Patrick-Joling asked if there was a benefit that one candidate had more knowledge of the Port of Newport. CFO would start from scratch; Todd had been on the ground already. Bretz said Todd had already drawn conclusions. This may or may not affect costs. The Commission had not of late been consensus driven, and he would like this decision to be. Patrick-Joling asked if CFO would act as an Interim Director of Finance. Bretz said the

Interim Director of Finance position had not been offered to anyone, but CFO had offered to serve in that role. Chuck said if the Port used CFO, they could use them for the Director of Finance recruitment, and he offered to make a motion. Lackey said he was not ready to move on anything today. Chuck suggested the Commission move out of respect to staff. Patrick-Joling asked if there was something additional Bretz could ask for from Todd and CFO. Lackey said he liked the idea of focusing on goal #4 which would narrow the scope. Lamerdin said he heard from Bretz that he needs help now. It seemed Bretz could work with CFO on what the scope could be and make a recommendation. There were only two options. Patrick-Joling said a pare-down of the scope could happen with either applicant. Lackey said it seemed that Todd was an idea man, whereas CFO could supplement and teach. Bretz said staff definitely needs help now to analyze business and define profit centers. Right now, he is already doing both General Manager and Director of Operations duties. It would not work to table this decision for a few weeks. He recommended CFO as absolutely the best choice.

**A motion was made by Lamerdin and seconded by Chuck to authorize contracting with CFO Selections as a Financial Consultant based on the recommendation by the General Manager Pro Tem.** (This motion was later amended.)

Chuck asked to amend the motion to add a limit of 60 hours or \$10K, whichever came first. Lamerdin accepted the amendment.

**A motion was made by Lamerdin and seconded by Chuck to authorize contracting with CFO Selections as a Financial Consultant based on the recommendation by the General Manager Pro Tem, with a limit of 60 hours or \$10K, whichever came first.**

Skamser said she would like the motion to reflect goal #4 as a concentration. Lamerdin said he didn't want to limit staff's ability to ask for what they need, and asked if goal #4 addressed all concerns – it seems too specific. Skamser suggested this addition would give an umbrella on the scope of work, and she trusted Bretz and Harris. She wanted to at least have this goal addressed after spending \$10K. Chuck said there was also consideration that staff was behind on the audit. Harris said the Port should be ready for the audit next month. He spoke with Grimstad and was shooting for October 15<sup>th</sup>. Harris said he is handling all of the accounting now, so he is working on the audit as time allows. He would rely on CFO for help with the reduced staff and new staff on, for example, streamlining the monthly closing of the books. There are stream of work issues.

**The motion failed 2 – 3, with Patrick-Joling, Skamser and Lackey dissenting.** (This vote was later retaken.)

Lackey said he was torn. CFO Selections had represented other ports. He wanted to figure out how to use some of Todd's ideas with CFO's help. He asked what the savings would be by not paying a Director of Finance. Based on the wage steps and considering benefits, the Port is probably saving approximately \$10K per month. Lamerdin asked what was the objection to hiring CFO – the cap, the scope of work, or the person? He asked if Lackey had heard Todd's ideas. Lackey said the framework was in Todd's proposal. Bretz said what has been mentioned is not objectionable, but the Port needs someone now to look at the finances, which will drive where to go. Port staff is shorter-handed than the Commission realized. Skamser asked for a re-vote because of staff needs.

**The motion passed 4 – 1, with Patrick-Joling dissenting.**

#### IV. PERMANENT DIRECTOR OF FINANCE REPLACEMENT

- A. Approve Job Description
- B. Name a Salary & Benefit Range
- C. Identify Process for Hiring

Chuck said since both Stellner and CFO would be under contract, he would like to ask them for a proposal for recruitment of a Director of Finance. Bretz said he could call and bring that information to the evening's Regular Meetings. Lamerdin asked that they would confer with the Board about job descriptions. Bretz said they would consult with the Board about schedule as well. Patrick-Joling moved the discussion of a Permanent Director of Finance Replacement to the Regular Meeting.

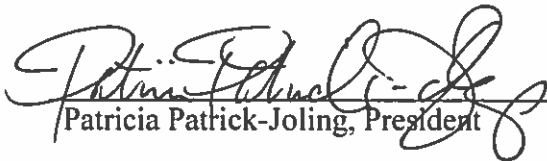
**v. PUBLIC COMMENT**

There was no public comment.

**vi. ADJOURNMENT**

Having no further business, the meeting was adjourned at 1:42 pm.

ATTESTED:

  
Patricia Patrick-Joling, President

  
Stewart Lamerdin, Secretary/Treasurer

-###-