

**PORT OF NEWPORT MINUTES**

March 16, 2021

Budget Committee Meeting

*This is not an exact transcript. The audio of the session is available on the Port’s website.*

This meeting was held virtually by invitation only. The public was invited to view the live stream of this meeting on our YouTube Channel, Port of Newport Meetings Audio. Live chat was not monitored. The public could submit comment through a form on our website no later than 4:00 pm on Monday, March 15th, to be read into the meeting at the appropriate time.

**Agenda Item**

**Audio  
Time**

**I. CALL TO ORDER .....**

0:00

Commission President Jim Burke called the Budget Committee Meeting of the Port of Newport to order at 6:03 pm.

**Commissioners Present:** Walter Chuck, Secretary/Treasurer (Pos. #1); Kelley Retherford (Pos. #2); Gil Sylvia, Vice President (Pos. #3); Jeff Lackey (Pos. #4); and Jim Burke, President (Pos. #5).

**Freeholder Members Present:** Rex Capri (Pos. #2); David Smith (Pos. #3); Mark Farley (Pos. #4); and Jeffrey Johnson (Pos. #5). Position #1 is Vacant.

**Management and Staff:** Paula J. Miranda, General Manager; Aaron Bretz, Director of Operations; Mark A. Brown, Director of Finance & Business Services; and Karen Hewitt, Administrative Supervisor.

**Members of the Public and Media:** Angela Nebel, Summit Public Relations Strategies.

**II. INTRODUCTIONS .....**

0:17

Miranda welcomed the Commission and Freeholder members of the Budget Committee, and thanked them for their participation and their time.

**III. SELECTION OF BUDGET COMMITTEE CHAIR.....**

1:02

Chuck nominated Mark Farley as Budget Committee Chair, seconded by Lackey. Farley was appointed as Committee Chair with none opposed, and he accepted the appointment.

**IV. BUDGET MESSAGE .....**

2:27

Miranda introduced the FY 2021-2022 Budget Message included in the Budget Committee Packet on page 9. She mentioned infrastructure projects expected to be completed in the current fiscal year, including the Port Dock 5 Pier Access and the Recreational Marina electrical load centers. She said the load centers project was initially planned to be completed over three years, but was combined in the current fiscal year’s budget with a loan from NOAA Reserves. Miranda advised

that some recent events impact looking forward; the loss of 66 ft. of dock on Port Dock 7, and the necessity to remove the building located at 343 SE Bay Blvd, previously leased to Captain's Reel, due to piling instability. Miranda commented that the COVID pandemic has affected revenues from services at the Commercial Marina, but she expects this to change in the upcoming fiscal year. She said the recreational side is doing quite well.

Miranda spoke about the infrastructure projects priorities discussion at the Budget Priorities Work Session held on March 2, 2021. She commented that the Port will have slightly less money in the Operating Fund at the start of the next fiscal year because the Port is now using the \$1.2MM set aside in the current fiscal year for the Port Dock 5 Pier, and spending for the SB Electrical Load Centers projects. Miranda said that things were picking up not just due to increased fees but also increased efficiencies established by Finance and Operations staff. She said the Port was keeping the Strategic Plan in mind when planning projects and has made progress. Miranda added the rates previously approved for FY 2021-22 were reflected in the budget. She commented that Brown did a great job reorganizing funds, and revenues and expenses were listed by fund in the budget. Miranda said staff proposed to pay off a small loan in the coming fiscal year since the interest rate was 6%.

Miranda said that, in addition to capital expenditures, there were professional fees in the proposed budget. This included funds for Port Dock 7 Rebuild planning and the Army Corps of Engineers (ACOE) Feasibility Study for dredging the Commercial Marina. She said staff planned to revamp the financial software system to gain efficiencies. Also included was a plan to reevaluate assets, intended to plan ahead for needed maintenance rather than playing catch up. Miranda said she plans to continue to work with a grant writer; one grant has been received and another is close. She said the Port hopes to apply for a Travel Oregon grant for the RV Annex planning. Miranda said the Port expects to seek grants for several items in the budget. Work on the Port Dock 3 & 5 electrical upgrades – project engineering was completed in the current fiscal year. The actual pedestal replacement is planned for this new fiscal year. Major maintenance is also needed on Port Docks 3 and 5. Miranda said staff proposed grading on the 9-acre property at NIT to avoid wetlands and make the area usable for a potential customer. Miranda explained the need for the proposed property procurement for the ACOE property next to the Rogue Brewery.

Miranda concluded that all budget proposals aligned with the Port's Strategic Plan and reflected recommendations from staff. She advised that if there were changes later on, the Port could only vary up to 10% over the established budget or an amendment would be required.

15:31

**V. REVIEW PROPOSED BUDGET .....**

Department Overview

1. Administration
2. South Beach
3. Operations
  - a) South Beach
  - b) Commercial Marina
  - c) International Terminal
  - d) NOAA

Brown introduced the Budget Documents included in the Budget Packet and thanked Lackey for reviewing the debt schedule. The statement of indebtedness may be revised. Brown said that page 13 was an overview of the Port's overall resources and requirements and pointed out the consistent personnel Full-Time Equivalent (FTEs). He commented that the Facilities Maintenance Reserve fund on page 14 was maintained in order to transfer into the General Operating Fund to cover major expenses, like electrical upgrades to Port Docks 3 and 5. He added it is a state condition that requirements equal resources. Brown said if the Commission decided to build the new Administration Building, the loan funds would come into the Construction Fund on page 15. For the NOAA Capital Maintenance Fund on page 16, a portion of this fund will be transferred for the SB Electrical Load Centers, but the goal would be to get back to \$2.1MM. Funds will be transferred out to NOAA if needed for dredging. Brown commented he would correct the imbalance between resources and requirements in this fund.

For the General Operating Fund on page 17, Brown said everything appeared in line. He added that the PAC Wave project revenues were not yet budgeted. Bretz said a reliable ballpark figure was not yet available because of the wide variety of proposals. Brown pointed out the unallocated funds on page 20. He said this is the only page where debt service and transfers can be included, among other items. He commented the Operating contingency and the \$1.2MM restricted funds (lines 89 and 91 page 21) cannot be spent during the fiscal year.

Chuck asked if the Port was coming up on a new PERS assessment. Brown said PERS was reevaluated this year and went up substantially, with anticipated increases through 2029 followed by decreasing rates. Brown added he has a projection stored with the budget. Brown confirmed there are currently 3 tier 1 and 2 employees with the Port. Farley asked about bad debt expense on page 20 line 23. Brown said this represents money that becomes uncollectable from customers; the Port makes every attempt to collect fees owed. Capri asked about the large increase in health insurance (line 7) and professional services (line 17). Brown said for health insurance actuals were substantially below budget in recent years, and the budget for the upcoming fiscal year included HRA expenses that were not previously budgeted for. For professional services, Brown explained that item included planning dollars for certain non-capital projects like the Feasibility Study for the Commercial Marina dredging. Miranda said she included a list of projects in the Budget Message which included a few big ticket non-capital projects. Brown added this also included the software-as-a-service financial software, legal fees, asset assessment, and grant writing consultant, among other items. Sylvia asked if these were standardized forms or could the budget be more interactive so that these details could be found, since people notice big increases in budget items like professional services. Miranda said that professional services vary from year to year, and the upcoming fiscal year included a lot of planning. Brown suggested an asterisk on the form with a separate sheet to show what's included. Farley said it was a positive to show the forklift paid off. Lackey asked about the projected PERS increases and health care costs per person. Brown reviewed projected changes. Lackey said his health care cost calculations differed significantly from what Brown indicated. Lackey will email his spreadsheet calculations to Brown for review. Brown commented that the Port did get a smaller insurance increase of 7.9% compared to most in SDIS that got a 10.5% increase. Lackey asked about the increased utilities budget. Brown said this would be needed if the new building were constructed so needed to be included in the budget.

Brown pointed out that the Professional Services budget on page 22 included planning for the reconfiguration of the RV Annex and planning for an Expo Center. He commented that staff

wages/salaries were built more realistically in this budget and did not increase much. Brown said that insurance costs were allocated across all cost centers. Smith commented that wages did not increase but overtime almost doubled. Brown said South Beach budgeted overtime includes both RV Park and Operations. More overtime than normal was needed in the RV Park due to staffing levels. Miranda added that overtime costs were often recouped on the Commercial side because users were charged accordingly for after-hours and call out services. She added there was a shortage of employees at times in some areas as people left. Retherford asked about South Beach Repairs and Maintenance budgeted increase (line 26 page 22). Brown said that Chris Urbach had specific projects in mind, and listed some. Bretz said that part of the budget every year included replacing walers and rods, which are more expensive right now, Chuck suggested putting some money aside for float maintenance which hasn't been done in many years. Miranda said that eventually with the planned assets assessment money can be set aside for planned maintenance, especially when assets are new, so they can be replaced when the time comes rather than run into emergencies. Sylvia asked about the high cost for a filet table at South Beach (line 40 page 22). Bretz explained the table itself was sizeable and stainless, and the project would include excavation through poured slabs, plumbing, and electric hookups. Chuck asked if the Port had looked into ODFW or the Marine Board grants for the table. Miranda said that she talked to the Marine Board and staff is looking into ODFW and a new program from Travel Oregon.

Brown commented that professional services in the Commercial Marina include money for the Commercial Marina Dredging Feasibility Study and Port Dock 7 rebuild planning. Capital projects include the electrical upgrades to Port Docks 3 & 5 for which funds had been set aside from rate increase, as promised to fishermen. Port Dock 3 & 5 would also need walers and rods replaced. Bretz commented that he recommends the highest importance placed on electrical projects due to the age of infrastructure, critical need, and safety. He said the Feasibility Study was extremely important to be able to right-size the marina for the next generation of commercial activity. Capri asked what the budgeted miscellaneous expenses were of \$200K (line 30 page 23.) (Brown later stated that was for the planned evaluation of 343 SE Bay Blvd.)

Referring to page 24, Bretz said the grading of the 9-acres was contingent on how the Army Corps rules on wetlands. The plan was to get the property in a state to prevent further growth of wetlands, address drainage issues, get level and keep mowed. Smith asked if the area was already designated wetlands. Bretz said yes, but there have been rule changes so the Port has asked for a new ruling. Burke asked if the 0 amount for NIT asphalt (line 34) was purposeful; Brown responded yes that project was supposed to be completed this fiscal year but was included for historical reference. Farley asked about line 22, Contract and Support Services. Bretz said this addressed a large pile of non-buildable dredge spoils that the Port would be responsible to remove from Rondys' property prior to the end of the lease. This may or may not happen in the next fiscal year. Chuck asked if the Port could no longer switch out material with the City. Bretz said the agreement was still in place, but the availability to move material to the airport would depend on whether or not the City was using material themselves in the upcoming fiscal year, and the major expense was transportation costs moving it to the airport. Bretz added the McLean Point Beneficial Project referenced in line 36 was to take place within 5 years of signing the agreement with Rondys; the agreement is coming up on year three. In response to Retherford's question, Brown said that the expense for moving the dredge spoils was allocated between the International Terminal and NOAA.

For NOAA dredging (line 24 page 25), Bretz said he tried to come up with the worst case scenario for the budget. Just prior to the meeting, Bretz received information on the NOAA dredge prism, which looks good. He said he would still have to talk with NOAA, but dredging might not be needed in the upcoming fiscal year. Budgeted funds could be used to reshape the sand pile as part of a dredging project, or if dredging weren't needed, making buildable material easier to access. Lackey asked about the different method used for the last NOAA dredge. Bretz confirmed that a cutterhead was used to get closer to design depth, but another factor in accumulation is the changes in river meander over time. Bretz also said he was considering a consultation with the Army Corps of Engineers to get a 10 year permit for NOAA maintenance dredging, rather than using the current SLOPES (Standard Local Operating Procedures for Endangered Species) process done every year, which could save on permitting costs.

Brown said that line 35 on page 27 represented money set aside for property taxes that would be due on July 1, 2022.

1:21:01

**VI. MAJOR PROJECTS OVERVIEW .....**

Miranda introduced the projects summary included in the Budget Packet and commented that projects were reviewed with the Commission at the Budget Priorities Work Session. She added that as Bretz had indicated, some dredge spoils may need to be moved because of the requirement of the lease agreement with Rondys, and the Port cannot count on finding somebody interested in the material. Miranda said the Port is completing the engineering for the Port Docks 3 & 5 Electrical Upgrade this fiscal year with the actual pedestal replacement happening this coming fiscal year. She said the Port will be looking for grants for the Port Dock 7/Public Pier Replacement planning. She commented that at least 10 letters of support for the PD7 project were received to be included in an EDA grant application. The Commercial Marina Dredging Feasibility Study may be completed in the current fiscal year if the contract is received in time, currently anticipated in April. Miranda said she is still working with Rondys on purchasing the property where the electrical shed is located, but included the item just in case the work is not completed prior to this fiscal year. She reviewed the South Beach projects and commented the SB Marina is getting more charter vessels. There is \$60K proposed for asset inspection to start in the Commercial Marina. As to the oil building tanks, staff had reviewed options and chose to recommend a small replacement at this point and reconsider oil collection with the Port Dock 7 rebuild. The funds budgeted for a new pick-up for the Commercial Marina may be redirected to add to the Commercial Marina office. Miranda said she is still waiting for a new estimate from the consultant for construction of an Administration Building. She said she had understood the increased cost of construction materials was not inflation related but rather that COVID made manufacturing and exporting cargo difficult. Miranda added there is some discussion about inflation going back up, and eventually there will be new code requirements that may further increase costs. Brown commented that if the interest rates go up 1.7% it would be worth building now. Miranda confirmed the \$201K budgeted for evaluation of 343 SE Bay Blvd. She said the budget for the Expo Center plan was to see if the project was worth doing. She added the Seafood & Wine Festival wants to come back next year. Miranda remarked that the NOAA projects were required by the lease agreement.

Sylvia suggested in the future coding out where projects could be found in the budget documents. Brown said as a reminder the priority number does not indicate project completion order. Miranda remarked the Port would try to get as many of the first priority projects done as possible, but this

would depend in part on grants. Bretz added that scheduling of bids would be a factor as well in when projects are completed. Lackey asked for confirmation that the only new loan this fiscal year was for \$700K, and repayment would begin in the upcoming fiscal year; Brown confirmed. Miranda said staff is still talking with Business Oregon regarding a loan for the Administration Building. She commented that the Port needs plans in place before seeking grants for construction of other projects.

1:41:06

**VII. CONCLUDING COMMENTS.....**

1:41:16

There were no additional comments.

**VIII. PUBLIC COMMENTS .....**

No public comment was received by the deadline of March 15<sup>th</sup> at 4:00 pm.

**IX. COMMITTEE COMMENTS**

There were no additional comments.

1:41:54

**X. PRESENT THE MOTION TO RECOMMEND THE BUDGET TO THE PORT COMMISSION FOR ADOPTION OR HOLD FOLLOW UP MEETING .....**

**A motion was made by Chuck and seconded by Lackey to approve the Budget for the Fiscal Year July 1, 2021 to June 30, 2022 in the amount of \$23,784,178. The motion passed 9 – 0.**

**A motion was made by Burke and seconded by Farley to approve property taxes for the Fiscal Year July 1, 2021 to June 30, 2022, at the rate of .0609 per \$1,000 of assessed value for the Permanent rate tax levy, and in the amount of \$995,000 for the General Obligation Bond Levy. The motion passed 9 – 0.**

1:44:50

**XI. ADJOURNMENT .....**

Having no further business, the meeting adjourned at 7:48 pm.

ATTESTED

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James Burke, President

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Walter Chuck, Secretary/Treasurer