

May 15, 2023
12:00 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 Burke, Retherford, Chuck, Lackey, and Sylvia as well as Freeholders Paul Zellman, Rex Capri, Carol DeLong, Larry Osborne, and Jeffrey Johnson. Also in attendance were General Manager 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 Chuck, 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 reported this is a little more than \$38 million budget. He noted \$3.5 million is in reserves. He explained the terms unappropriated ending balance and reserved funds for future use. He stated he believes with the budget as built that the Port would not have to use those funds. He indicated the budget includes \$947,000 for contingencies, and that's the first place he would go for more funding, or he would push other projects to future years. He explained project notes. He added there are over \$20 million of projects in this budget.

Brown reported the Port won't be able to accomplish all the projects. He stated the Port included more than \$15 million in grant funding. He indicated the Port does not expect to get all that funding, and if an item is budgeted with grant funds, the Port will need to receive grant funds or eliminate other projects in order to do that project. He noted one basic difference between this year and last year is unallocated, which shows any transfers between funds and departments, and any debt that is not a bond. He explained how the Budget Resolution changed with Department of Revenue requirements. Miranda explained projects are included even if they can't be done, so that the Port can be flexible with projects based on funding.

Capri confirmed with staff the total budget is \$8.5 million more than last year. He clarified with staff the construction fund. Retherford requested going through the budget page by page. Brown overviewed the budget page by page. Capri asked why project reserve costs have increased

from last year. Brown replied the projects driving that are dredging and electrical upgrades. He noted he is trying to build up reserves. He stated his goal is 5 percent of any excess money in each division is set aside in the reserve fund. Osborne clarified with staff a transfer. Retherford asked what was the Administration Building final, total cost. Miranda replied, \$2.4 million, and that price includes anything related to this building.

Burke asked if fees are captured differently than last year. Brown replied with the new accounting systems, staff simplified how reporting fees and rentals are captured. He noted the Port is trying to standardize categories across all departments. Capri asked why working capital is down. Brown replied he is trying to reflect what is occurring. He explained last year's revenues were too aggressive, so he has backed off, trying to make sure the Port hits the actual numbers.

Chuck asked in the Commercial Marina, do staff see fees and services going down at all in relation to Steve Webster's business. Bretz replied he has had discussions with them, and they intend to expand their business, but that is all dependent on fisheries. Chuck asked if the Port will try not to undercut them. Bretz replied the Port will pay attention to prices, but the Port is concerned with covering its costs. He added he can't see the Port lowering rates. Miranda noted the Port is not trying to compete with anyone. Brown stated if their prices were above the Port's, the Port would likely raise its prices. Chuck noted in the past, Webster requested the Port not offer the same service and undercut him. Sylvia stated it is fair to say general funds are in their own cost center, and the Port is not trying to make money.

Capri noted the cost of equipment has risen. Brown stated that is partly related to a grant at the Terminal. Osborne asked why derelict vessel grants have two line items. Brown replied that is an error, but the total of \$30,000 is correct. Bretz added it's in the realm of \$10,000 each to get rid of one derelict vessel.

Burke asked regarding the Commercial Marina, what is the health of the hoist dock area. Bretz replied the equipment is approaching the point to be replaced. He noted there is a French drain that is starting to collapse, which moves material around. He added the area is very heavily used with very few days it is not busy. Miranda replied staff are working on a five-year plan. She noted staff had to prioritize certain things, and some of the projects are in the budget. Burke asked if the area could make it through the year. Bretz replied it's always a risk question. He stated the Port will be OK, and the area is included in the Port Dock 7 planning. Miranda added the area is in the plan, which helps with Port liability.

Zellman asked if South Beach revenue and expenses are broken into marina and RV Park. Brown replied it is all one unit with the revenue broken out, but the expenses not. Zellman asked if Rogue is part of the lease revenue. Brown replied there are four or five tenants including Rogue. Zellman asked what the expo center is. Miranda replied in the past there was desire to have a space to use for entertainment such as the Seafood and Wine Festival or a home show.

Miranda explained every year, the cost for a tent for Seafood and Wine is around \$150,000 to \$170,000. She stated the Port could build a building that could address that need. She noted the Port started a conversation, but then COVID came and the Port put that aside. She indicated the Port would like to reach out to the community, revisit the situation, and eventually create a plan. She added Business Oregon is interested in the concept.

Miranda reported some of the concern is about competing with hotels or fairgrounds. She stated that is not the Port's intent. She noted the Port wants to provide something the area does not have. Osborne noted since COVID, Oregon's tourism dollars are really expanding. He added even with bad weather, the wine festival did very well.

Capri confirmed with staff that NOAA's revenues have been building. He asked how that will be used. Brown replied dredging will be \$1.1 million. Chuck asked if the Port set aside any revenues for taking over those buildings. Brown replied the Port could take it, but the Port's goal is to keep NOAA there. Miranda stated NOAA may want a new building and the Port needs reserve funds for that. She added the Port will always have reserve funds for NOAA because it is a large facility.

Retherford confirmed with staff the First Interstate bank loan replaced the Oregon Coast bank loan, and lowered interest to 4 percent. Chuck clarified with staff the loan from Rogue. Capri asked why there were two loans from Business Oregon. Brown replied there were two funding sources that Business Oregon loaned from for the Admin Building, but they have the same interest rates and terms. Zellman confirmed with staff the Port does not use a line of credit.

Capri asked why capital outlay in administration decreased from last year. Brown replied the Port does not anticipate spending \$5,000 or more on a new asset this coming year. Osborne asked why bad debt expenses jumped. Brown replied that is a recommendation from the CPA. He stated the Port is seeing some issues in South Beach.

Capri confirmed with staff the Port's plan is to postpone dredging at NIT because the need is not pressing. He clarified with staff the 2011 bonds were refinanced to 2019 bonds, and the 2019 bonds and 2016 bonds are for the Terminal. Brown added refinancing reduced the expense to taxpayers by 20 percent.

DEPARTMENT OVERVIEW

Bretz reported professional services such as enforcement of ordinances or parking and cleaning services may cause complaints. He explained for more monitoring of parking or more cleaning that costs extra money. He stated an important project in South Beach will be the Annex redesign. He noted all the utilities need to be redone and the shape of the facility needs to be redesigned. He indicated the Rogue Seawall project doesn't just benefit Rogue. He added there is 550 to 560 feet of moorage space the Port can't use currently, which is a significant amount of moorage. He explained the Port can't put docks in until the wall is addressed.

Bretz reported the Rogue gutters and roof need to be addressed on the old dry moorage building. He noted it is one of the biggest buildings in the area and it's on the water, so it's difficult to access. He stated fillet tables will be coming in. He indicated at the Commercial Marina, Port Dock 7 planning continues. He added interim improvements to Port Dock 7 will cover the gap between now and construction.

Bretz reported the 600 feet of dock on the outside of Port Dock 7 is some of the worst, and the Port is trying to put new on pilings and floats. He stated interim improvements on Port Dock 5 are in the budget. He explained the Port needs to maintain those pilings until the dock can get replaced in the next decade. He indicated the piling assessment and repairs at the RORO Dock is one of the most expensive projects at NIT. He added purchasing a new forklift is part of a state grant.

Bretz reported the NIT crane is getting old and running into more maintenance problems. He explained the crane is a critical piece of equipment. He added the NOAA dredging is coming up in early fall and there will be a big interior painting project at NOAA too.

Johnson asked if there is budget for solar panel installation at NOAA. Miranda replied that would be part of planning for the future. She noted staff watch for funding opportunities.

Osborne praised staff at South Beach for maintenance of the fishing pier. Bretz added replacement of fishing pier is part of the Port Dock 7 rebuild.

Retherford noted she does not see anything about sea lions. Bretz replied those costs are within the maintenance fund. Miranda added that would not be a capital expenditure. Bretz reported staff found a deterrent system that works, but the material is not durable, so they are trying to find a better material. He added staff would rather not have to electrically charge the docks.

Chuck asked if the Port has discussed increasing rates for the new NIT crane. Brown replied the Port would have to change the rate because the cost is going to be so much more. Bretz explained staff want to go up to a 50-ton crane from a 30-ton crane. He noted staff use the current crane at its capacity a lot. He stated staff do a great job maintaining it and they keep it indoors, but the crane is not as reliable because of use and age. He indicated there is a brand new 2019 crane in the valley where the Port could avoid a freight charge. He added it would cost 20-30 percent more for a newer crane plus the freight, around a \$30,000 charge.

Bretz reported with one crane all the Port's eggs are in one basket. He noted the Port could lease one, but it will cost twice as much, and the Port can't just eat that cost. Discussion ensued on service level at the Port and expectations.

Chuck asked if PacWave has reached out about their crane or equipment needs. Bretz replied they will need the bigger crane and other large equipment too. Chuck asked if there will need to be training for a new crane. Bretz replied the crane staff picked out is really similar to the current one. He explained the requirements are not higher for the larger crane. Chuck emphasized the users need to be made aware of the costs. Capri asked where is the crane on the priority list. Bretz replied it is high priority. He added in his opinion it is best to buy it now. Osborne confirmed with staff the valley crane is not on hold for the Port.

CONCLUDING COMMENTS

Miranda thanked the Committee and Commissioners for approving the budget to build the Administration Building. She stated the Port tries to spread improvements to all locations and keep the Port running. She noted staff have done a lot of work to be more efficient using technology. She indicated the staff are cross-trained and there are a lot of ongoing projects.

Bretz added the building was planned in 2014. He stated all of these replacement projects talked about are actively worked every day. He noted it's just not visible.

Retherford thanked staff for providing project updates, their transparency, doing a superb job on maintenance, finances, and oversight.

Zellmen asked if there will be changes to short-term and long-term stays at the RV Park. Miranda replied staff are putting together a plan. She explained this year is pretty set in stone with the lottery. She stated staff are working on a plan on how to implement changes, and they will bring that to Commission. She indicated it has been problematic to an extent that short-term users cannot find space at the park. She added a lot of the park is long-term, which is heavily discounted. Osborne noted many RV parks are full because of remote work and vacationing trends. Miranda stated there will be a work session sometime in the fall to discuss changes.

Lackey stated he supports this budget for a few reasons. He noted when he looks at a budget, he looks, first, for fixing, repairing, and investing, second, the debt level, and, third, the buffer. He indicated the \$3.5 million buffer answers that question. He added as far as projects, he has been very impressed with staff and their bandwidth.

Lackey stated staff have been proactive and aggressive in projects they are pursuing. He noted debt has been coming down overall. He indicated it was a bigger issue years ago with NIT debt at half what it was 10 years ago. He commended everyone on the job that has been done.


Chuck thanked the Committee for attending. He also thanked staff. He added he is glad to see the investments in the budgeting software starting to pay off. Capri thanked staff for their work.

MOTION was made by Johnson, seconded by DeLong, to approve the budget for Fiscal Year 2023-2024 in the amount of \$38,190,229. The motion carried unanimously in a voice vote.

MOTION was made by Johnson, seconded by Osborne, to approve property taxes for Fiscal Year 2023-2024 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 2:17 p.m.



James Burke, President

ATTESTED:



Walter Chuck, Secretary/Treasurer

