

**PORT OF NEWPORT
MINUTES
November 25th, 2014
Regular Meeting**

I. CALL TO ORDER

Commission President Walter Chuck called the regular meeting of the Port of Newport Board of Commissioners to order at 6:00 pm at the South Beach Marina & RV Park Activities Room.

Commissioners Present: Walter Chuck (Pos. #1), President; Dean Fleck (Pos. #5), Vice President; Ken Brown (Pos. #4), Secretary/Treasurer; David Jincks (Pos. #2).

Commissioners Absent: JoAnn Barton (Pos. #3) .

Port of Newport Management and Staff: Kevin Greenwood, General Manager; Stephen Larrabee, Director of Finance; Rick Fuller, NOAA Facilities Manager; Darlene Webster, Administrative Assistant.

Others Present: Dennis Anstine, News Times; Yale Fogarty and Pat Ruddiman ILWU Local 53; Lee Fries, Newport; Harold D. Pritchett, Professor Emeritus of OSU Construction Engineering Department; Dick Beemer, Newport City Council; Kiera Morgan, KYTE FM Radio; Wayde Dudley, Newport Resident; Signe Grimstad of Grimstad & Associates; Chris Olson of Newport Marina Store & Charters; Dietmar Goebel & Dustin Capri, Architects; and Michael Bateman, Newport Resident.

II. Changes to Agenda: No changes were made to the agenda.

III. Public Comment: Dudley mentioned that the flag at Port Dock 7 was worn and needed to be replaced. Greenwood noted that replacement flags were ordered and that the flag would be replaced this week.

IV. Consent Calendar:

No changes were made to the consent calendar as presented (items A-E). A motion to approve the Minutes from October 23rd, October 28th, October 30th, November 3rd, November 20th, Financial Reports, Leslie Lee Lease Renewal, Purchase of (7) Washing Machine at South Beach (\$6,973.00) & Declare Old Machines as Surplus and Sea Lion Dock Engineering was made.

Motion by Brown, seconded by Fleck to approve the Consent Calendar. Motion carried 4-0.

V. Correspondence/Presentations:

A. Ursula Marinelli, Pacific Communities Health District Foundation for Contribution

This was a letter sent into the Port as a thank you for the Port's contribution of \$370.00 to the PCHD Hospice Fund through the fund raiser event that was held at the South Beach Marina. The Ports contribution was in the form of a donation of the use of the Hoist dock for the event. It's was noted by the commission that events conducted in the future need a more defined process for consideration/qualification to charge the event a fee/fees or not. Greenwood responded that the process for events will be reviewed and a formal process would be formulated during the next budget cycle.

B. Jim Meyers proposal for July 4th Salmon Industry Showcase

Meyers was not present to make this presentation; Greenwood then presented in his absence. This event will be similar to "The Great Albacore Tuna" event that is scheduled to repeat on August 8/9, 2015 but would showcase salmon and would be slated for the July 4th weekend. This event request will be called "Salmon Enchanted Evening" for the food section and then a running event called the "Salmon Run". Greenwood wanted to mention his biggest concerns having this event on such a busy holiday would be for Port staff be able to logistically assist with the people, traffic and firework control this event may additionally bring. Staff is already maxed out at this time without this event. That if this event is approved, it will need to be noted that Port staff participation will be close to non-existent due to staffing on this holiday weekend. Chuck

noted his concerns regarding the parking, people watching fireworks and Brown with the date of the event. Greenwood will gather more information regarding this event as to how the donation will be executed and the relationship between the Salmon commission and Meyers and then will present at a later time.

C. Signe Grimstad, Presentation of Draft Financial Statements and FY 2013-14 Audit
Greenwood introduced Grimstad to the commission noting that this is their first year of their audit for the Port and that in years past that the commission was always presented a published final "Financial Statement". This presentation of a draft of the financial statements gives the commission a chance to review, discuss, question and make requests prior to finalization of these statements. Grimstad presented the Financial Statements, highlighting some key areas as an overview of these statements. Grimstad mentioned that with the transitions which gave Grimstad and opportunity to look deeper into certain areas the Port has a very good set of books. Starting on page 3 of the report ("Management's Discussion and Analysis") the purpose of this page is to present to the public in laymen's terms an over view of the financial statements that the commission or the manager would like to highlight like the comparisons to the past to present and what is projected for the future. Page 4 shows the Port compared to last year with a down turn on the capital assets due to "capital asset book value" has gone down. Under current liabilities is very minimal difference and the Port is servicing its debts on time. The resulting total net position is down from the previous year due to a GASB accounting standard that was changed this year. Page 5 the net position of revenue, expenses was down this year due to decrease in grants and an increase in expenses as compared to previous year. There was an increase in revenue from the launch ramp. Page 6 2014 figures as noted in this report are listed as gross but will be revised to show figures in net terms and depreciation results are noted as well. Page 7 Debt outstanding: some debt was paid off but another forklift was brought on to incur debt. Included are Grimstad's outline of key economic factors and budget information for the future. Page 9 the overall report shows a very good statement of financial health for the Port. Grimstad mentioned that the current liabilities as listed are very good compared to most ports that Grimstad has seen. Page 10 overall operating income was at 108k under non-operating operating revenue (expenses) are listed like grants, property taxes etc outside of normal operation was at slight loss of \$1,600 which is quite insignificant. And then the net position showing the beginning fund balance of the previous year (noting the GASB adjustment) bringing the net position to 50k. Grimstad mention on page 11 which she found interesting with all the activity reflected on this page at the overall end the Port generated 3.3m at years end. Page 12 is the Summary of Significant Accounting Policies that is suggestions as per Grimstad. Page 18 changes to this report that will be made are to include the interest into the column to reflect true costs due. Greenwood elaborated on the debt centers: General Obligation Bonds-paid through property taxes, Series 2013-International Terminal (30k+ interest quite a bit more), Special Public Works Fund Loan-International Terminal (\$156,838+interest), and Oregon Port Revolving Loans-International Terminal (\$13,555+interest) those three makes up the revenue loss for NOAA. Page 18 and 19 (Note 7) changes will truly reflective what the debt (principal and interest is for the Port in this audit. Which Grimstad, feels will make the information more meaningful and a better tool. Page 20 specifically Note 8 \$774,761 went away under GASB 65 as always changes are always being made. Highlights are "Commitments and Contingencies" that should be for consideration. Grimstad noted that beyond that the audit has been reflecting the Oregon minimum standards and requested for any comments from the commission. Commission as for the timeline for finalization which Grimstad said she would go back make the necessary changes and would be ready to present. No other questions were made by the commission. The commission did thank Grimstad for her attendance. Greenwood wanted to thank the Grimstad staff for making this audit a smooth process and such a pleasure to work with and look forward to the coming years of working with Grimstad and her staff.

VI. OLD BUSINESS:

A. Financial Report-Accounts Paid

Accounts Payable conflict was noted by Fleck of "Englund Marine" who was paid this month and would abstain from voting. Brown also noted that he was paid but would vote so that business could be moved forward. Motion by Jincks, seconded by Brown to approve the Accounts Paid as presented. Motion carried 3-0.

VII. NEW BUSINESS:

A. FY 2013-14 Financial Statements and Representation Letter

Motion by Fleck, seconded by Jincks to Adopt the Final Draft of 2013-14 Financial Statements and to authorize the Chair and Secretary to sign the Management Representation Letter. Motion carried 4-0.

B. Lease Amendment with US Customs Trailer

Greenwood noted report drafted by staff showing actual costs related to the Customs lease. GSA agreed to increase the amount from \$450/mo. to \$700/mo to more accurately cover the port's expenses related to the leasehold.

Motion by Brown, seconded by Jincks to adopt Amendment #12 with GSA for the US Customs Trailer. Motion carried 4-0.

C. Amendment #5 with PHS for NOAA Eelgrass Monitoring (\$24,000)

Greenwood presented this two year agreement with PHS for the Eelgrass monitoring. Reiterating that the Port has been having problems regarding the Eelgrass and that last month the commission approved an amendment for the IT project that included excavation on the Eelgrass site. That 60% of the Eelgrass is taking hold but we have yet to capture the other 40% required. This is an observation agreement to get this Eelgrass area to come back. Van Stavern has been working with the Port on this matter. Van Stavern has not billed the Port for work that has been completed to this date due to the fact that the Port has been working hard with PHS and he can not formally bill the Port till this amendment is approved. Monitoring is for 10 years and we are in the 3rd year of 10. Greenwood did review the schedule of work to be done and that the rip rap work will need to be added to this schedule. Greenwood made a recommendation to make a motion to authorize the GM to sign amendment #5 with PHS in the amount not to exceed \$24,000 in regards to NOAA Marine Operations Facility Eelgrass Mitigation Project.

Motion by Fleck, second by Brown to authorize the GM to sign amendment #5 with PHS in amount not to exceed \$24,000 in regards to NOAA Marine Operations Facility Eelgrass Mitigation Project. Motion carried 4-0.

D. Amendment with 4Cs Environmental for Fuel Tank Leak Boring and Testing (\$18,525)

Back in June an evaluation of our fuel lines found a leak so we decided to remove both lines at that time and replace with new lines. DEQ required PON to do some bore samples and we are hopeful that the leak was caught in time and a minimal amount of leakage was done. But we will not know till sample reports come back. If the report comes back negative we will still have to go out further around the area and do more samples and then review those reports. The Maintenance reserve fund is paying for this expense. Greenwood made a recommendation for a motion to authorize the GM to enter into an amendment with 4Cs in the amount and not to exceed \$18,525 for Environmental Fuel Tank Boring.

Motion by Jincks, second by Fleck to approve the GM to enter into an Amendment with 4Cs in the amount and not to exceed \$18,525 for Environmental Fuel Tank Boring. Motion carried 4-0.

E. Admin. Building Change in Schedule Status Update

Greenwood presented the status of the schedule of the Admin Building and the meeting he had with Hancock, TPT, Teevin and the Hall family last week. The meeting highlighted some obstacles that most of the parties involved have to date. With the strong dollar and the domestic competition for lumber it is not making it viable for the overseas markets to purchase lumber goods at this time and still be competitive. Hancock will not be putting up the necessary funding for the logging project. Greenwood has a meeting in Salem to discuss our debt with our

creditors on Dec 4th to review options in order to move forward since \$265k will be coming out of Port cash reserves. Greenwood presented a few options to move forward but his meeting in Salem will dictate the port's direction. Jincks asked with the holiday schedule when Greenwood could estimate he would have more information. Greenwood responded that it would most likely be the first part of the year at which time Greenwood will present his findings.

VIII. STAFF REPORTS:

A. Departmental Reports.

Larrabee discussed the current NOAA insurance recovery effort. The insurance estimate come in at \$46k but the actual cost came in at \$83k higher due to new flood insurance requirements from FEMA. Some past staff findings indicated that this cost difference is recoverable from NOAA through its lease agreement with the Port and that Larrabee also agreed as well. Larrabee has discussed his findings with NOAA several times as previous staff has done as well but to no avail and has now presented these same documents to legal counsel. Larrabee has been given the go ahead that he has a case to pursue. The procedure he was suggested to follow was to submit a letter of demand to NOAA to give notification and to start the interest charges towards these funds due the Port. \$240K is due the Port to date and \$1.5MM over the life of the lease if not resolved. NOAA responded to Larrabee that they do not owe this money upon their understanding of the lease. Larrabee will proceed with legal counsel and review a demand letter.

Jincks mentioned that upon reviewing the IT staff report that he was concerned about the pilings at the dock. He said that he would like to tour the facility with port staff and come up with a strategy for repairing the pile as damage occurs. The original fabrication/installation of the docks was done in such a manner that there is no sacrificial material and that Jincks will assist since he was part of the original team that designed how the docks were to be finished due to lack of funding and that this was not installed as a true fender pile style dock. Jincks shared photos with the other commissioners as well. Greenwood will coordinate as soon as possible; since the pile is currently unsupported. Meeting for tomorrow was set to review with all parties.

B. General Manager's Report

1. Save Our Air Station!

Greenwood updated the commission on the tour that the Coast Guard made on November 19th on the design/location visibility for the Coast Guard Cutters as notified in a letter to the Port last month. It included about 20 people most of which were the architects conducting a fact finding tour of the surrounding area and other Ports for these cutters. They are looking for a marine facility which would entail parking, dock space, lay down area and a building with 50-65 personnel (non-civilian). The impression was given that our Port looked quite promising than other Port reviewed by this team. As to the Save Our Air Station the complaint has been filed. Great media coverage was made at the City. A meeting in front of the judge is scheduled for the 10th, 11th and 12th of this month so we can put off the 15th pull out. It was great to see all resources coming together for the same cause. All resources are doing everything possible to assist in keeping the air station.

2. Rogue Brewery Expansion, Dec 9th

This is still in progress and awaiting more information from Rogue and will be presented with some preliminary plans a week before this meeting.

3. Rondys Lease Addendum Update

This is on hold at this time until more information is obtained.

4. Review South Beach Policies

This has been difficult with various interpretations by staff in order to come to uniformity and due dates for insurance requirements, dock storage and determination of length of stay of box and what our insurance company is recommending to us, but all is still in progress.

IX. COMMISSIONER REPORTS:

Jincks took a tour of the South Beach facility yesterday and wanted to mention how clean and inviting the facility looked. Staff has done a great job and he was very impressed. Jincks also mentioned that it would not be likely that he could attend the next meeting regarding the Brewery expansion. Greenwood affirmed that it would be a review meeting and no decisions would be made. Brown reminded everyone to attend the 21st annual lighted boat parade from 5-6:30 on December 6th.

X. **PUBLIC COMMENT:**

Beemer wanted to thank the Port as he will no longer be the Newport City Counsel Liaison as of the 16th and that another individual will be appointed to this position.

XI. **UPCOMING MEETINGS/EVENTS:** Calendar was reviewed with no comments.

XII. **ADJOURNMENT**

There being nothing more to come before the Board of Commissioners, the meeting was adjourned at 7:33 pm.

ATTEST:

Walter Chuck, President

Ken Brown, Secretary/Treasurer