



## **F Y 2020 - 2021 B U D G E T M E S S A G E**

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**DATE:** May 12, 2020  
**RE:** 2020-2021 Fiscal Year Proposed Budget  
**TO:** Port of Newport Budget Committee  
**ISSUED BY:** Paula Miranda, General Manager

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The implementation of travel restrictions has made this one of the most difficult times to prepare a budget. There are many unknowns, how long will travel restrictions and social distancing last, will an outbreak of the virus occur in the fall, and what will be the effect on the Port and other businesses.

The proposed budget figures assumes that travel will continue to be restricted through late May 2020, and begin opening up for the new fiscal year. The revenue estimates (resources) and expenses (requirements) are for the period beginning July 1, 2020, ending June 30, 2021. Revenue forecasts, specifically in South Beach, have been revised downward to reflect cancellations, and some new reservations. The Port staff began capturing cancellations data due to COVID-19 in January. To determine revenues, expenses, and projects the port reviewed a four (4) year history, worked with harbor masters, and supervisors to gain a best estimate of expenses for the upcoming year.

The Port Commission held a four (4) hour public work session on March 18 to begin prioritize projects. Port staff began to prioritize the General Operating Fund based on some of commissioners input, The NOAA fund list are required by contract and are therefore in no specific order.

The proposed budget document is divided into five separate funds: NOAA Lease Revenue Fund, Facilities Maintenance Reserve Fund, Capital Reserve Fund, Bonded Debt Fund, NOAA Capital Maintenance Reserve Fund, and General Operating Fund.

All day-to-day operations are accounted for in the General Operating and NOAA Funds.

### **HIGHLIGHTS**

**Resources:** The Port is budgeted to kick off FY 2020-2021 with a healthy net working capital in the General Operating Fund of more than \$4 million, and more than \$9 million in total funds. One of the projects that was budgeted for in the 2019-2020 budget (Port Dock 5 Pier) was not accomplished due to a delay in issuing a federal grant, the port has now accepted the grant and is looking forward to complete this project. You will see increases in some revenue categories, these increases are an effort to provide more realistic projections, additional moorage resources are projected as a direct result of a strategic rate increase at the Commercial Marina. The purpose of this rate increase was to upgrade the electrical systems in the Commercial Marina, these funds are being set aside to complete this project. There are some distinct decreased resources as a result of the uncertainty surrounding the COVID-19 pandemic which include the boat ramp and RV park revenues.

In Fiscal year 2020, staff recognized that rates had not been increased at the international Terminal since the Tariff was published in 2014. Those rates increases in the FY 2019-2020 budget and made a significant difference in performance of the Port. In FY 2020-2021 we have budgeted a 4% rate increase for most areas to cover inflationary costs. The exception is the Commercial Marina where, during a Commercial Fishing Users Group, the Port reached an agreement with commercial fishermen for 3 consecutive rate increases of 10% starting in FY 2019-2020 in order generate funding over for electrical upgrades at Port Docks 5 and 7. The three year plan is for the Port to set aside \$65,000 each year to match the moorage rate increase contribution to the electrical upgrade project fund. The total cost of the electrical upgrades is estimated to be \$655,000. The planning for the electrical engineering for the upgrade is in the current year budget, we hope to receive some grant monies for this project. This particular project needs to occur to demonstrate to the commercial fishermen that we keep our promises to them.

This past year the Port refinanced GO and NOAA bonds. Over the life of the GO bonds the port will realize Net PV savings of \$802,184 (16.5%), as a result, taxpayers will see lower taxes, and it could not come at a better time. The NOAA lease revenue bonds refinancing resulted in Net PV savings of \$2,548,900 (14.85%) over the life of the bonds or \$16,400 monthly, these saving will be placed annually in a reserve account, to be used for critical projects moving forward.

### **Expenditures:**

For those of you familiar with last year's budget document, you will note some changes. For transparency purposes the Port broke out costs by profit/cost center (Administrative, South Beach, Commercial Marina, and International Terminal). The port has also listed the capital expenditures for each profit or cost center, these costs all roll up into an the financial summary.

Here are some highlights of expenditures:

In alignment with the strategic plan and based on a salary survey prepared by HR Answers, salaries for staff have been increased to market rates. The proposed salary scale place staff at or above minimums identified in the salary survey. The updated wages are an important component in avoiding the high cost of staff turnover.

The Professional Fees budgeted expenditures include: Communication this is a critical effort to more effectively communicate what and how the Port is doing to those living within the Port district; consultants to assist with grant writing, an ERP consultant to assist with issuing an RFI/RFP for a much needed financial system; a consultant to begin drafting a plan for the International Terminal; and a consultant begin the work of the Annex reconfiguration. The support and bandwidth these consultants bring to the staff is anticipated to help generate revenue and generate business opportunities identified in the Strategic Business Plan, and will assist in diversifying revenue streams.

Two and a half years of design and engineering for the replacement of the Port Dock 5 Pier has culminated in a fully designed and permitted project with an estimated cost about \$2,400,000. To help defray this cost, the Port has received an Economic Development Administration grant in an amount of nearly \$1.2 million. As mentioned earlier, the port will continue to apply for many additional state, local and federal grants to fund many of the projects listed in this budget, this is important as the Port begins to plan

one its most important projects ever, the redesign and replacement of Port Dock 7.

Additional projects of note, the Port plans on building a new facility to house staff, eventually staff will move out of the temporary building which they have occupied since before 2012. Other critical projects for the Port - replace the current server that has been operating since 2012, complete a study of the Rogue seawall, relocate electrical wiring for hoist, and complete a dredging study.

Budgeted capital equipment purchases include the replacement of coin-operated dryers at the South Beach Marina/RV Park the revenue from the dryers will result in a quick return on investment, replace an aging forklift, the monthly cost of maintaining the forklift is becoming very high. The total amount budgeted for these expenditures is identified in your general fund projects list.

If, on the capital projects list, a portion of funding is reliant on a grant, a project will not move forward if grant funds are not obtained.

**Alignment with the Strategic Business Plan:** This proposed budget aligns with the action plan included in the recently completed Strategic Business Plan and Capital Facilities Plan. In addition the Port General Manager is engaging in the development of a plan for future business development and diversification of revenue streams at the International Terminal. Identifying the parameters under which the port must operate, then identifying target markets, leading to specific prospects requires unique knowledge, we are recommending that an outside firm assist in the development of a plan will require outside support and stakeholder involvement. Identifying a mix of uses and opportunities that will lead to maximizing use of the Terminal and adjacent Port-owned property is essential. This plan will lay the ground work for those conversations and research.

Other items on the action plan list will be accomplished in future years as budget and other funding allows.

## **CONCLUSION**

We have included the proposed budget for FY 2020-2021 in your packet. It is my recommendation to the Budget Committee for approval. Some of the projects and budget are dependent on grant funding, if the project is not included in this budget, no grant funding will be given, however, if we apply for a grant, and still do not receive funding the project will not move forward. This budget includes reviewed recommendations from Port staff and additional recommendations from the Port Commission. As Budget Committee members, you may adjust the proposed budget. Once you determine the budget meets with your approval, the Port Commission is not authorized to adjust the budget by more than 10% without recommending and approving a supplemental budget.

The Port staff is focused on efficiency, reducing costs, creativity, and generating revenue wherever possible to support the Port and its stakeholders. As such, the staff will spend only those resources needed to manage, enhance, and maintain Port operations and activities to generate a more diversified revenue stream.

Many thanks to the Port Commission for their focus and input on the budget preparation and to the staff for their commitment to moving the Port forward every day.