



## 2017-18 BUDGET MESSAGE

TO: PORT OF ASTORIA BUDGET COMMITTEE

FROM: JIM KNIGHT, EXECUTIVE DIRECTOR

DATE: MAY 24TH, 2017

## INTRODUCTION

I am pleased to present the budget proposal for FY 2017-18. Constructing a balanced budget this year has been a more significant challenge than originally anticipated. There were a number of difficult conversations and decisions that took place in order to achieve a balanced and sustainable budget. The Port continues to face many financial challenges - including high debt load, aging infrastructure, significant ongoing dredge costs, and limited cash reserves. It is therefore unavoidable that the budget reflects a formulation of priorities for the Port.

The following are the Commission's priorities, as stated at the February 21 Commission meeting:



It is clear the Port requires significantly increased revenues to fully address this list of priorities. The priorities in this budget focus our resources on critical infrastructure needs. Some of this funding will be met through grants; therefore we will need to ensure that we have sufficient capital to meet the matching requirements on these grants. Our focus should be the utilization of available financial resources towards infrastructure repairs that will create new opportunities for additional income and protect the revenue streams we currently have. Of particular note in this context are the piers on our West Waterfront. The piers show positive revenue trends; as such, we must protect this asset.

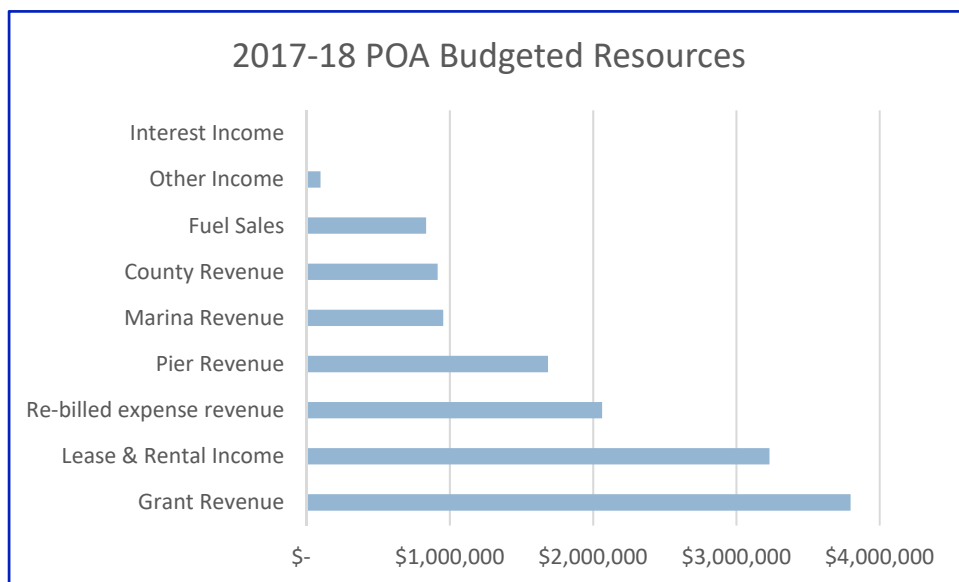
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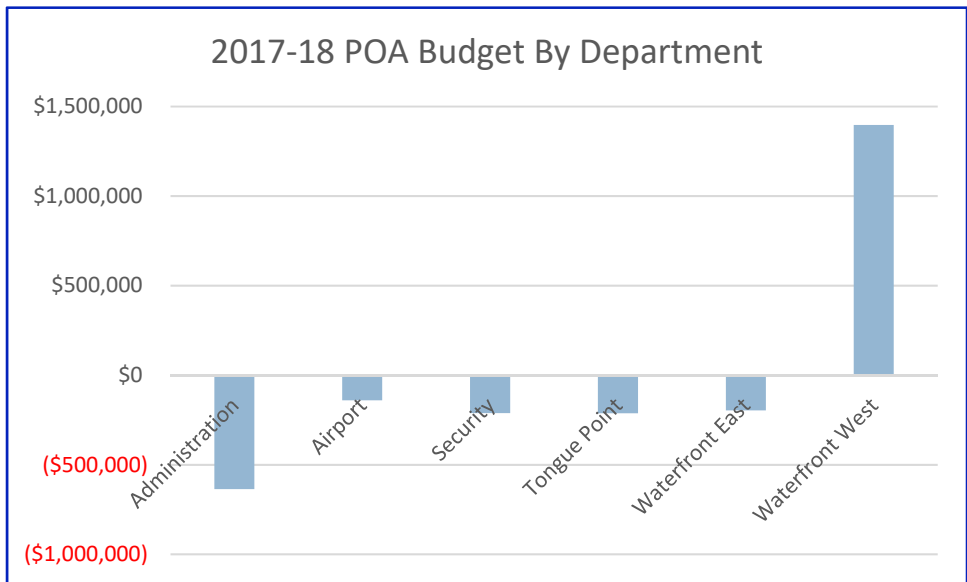
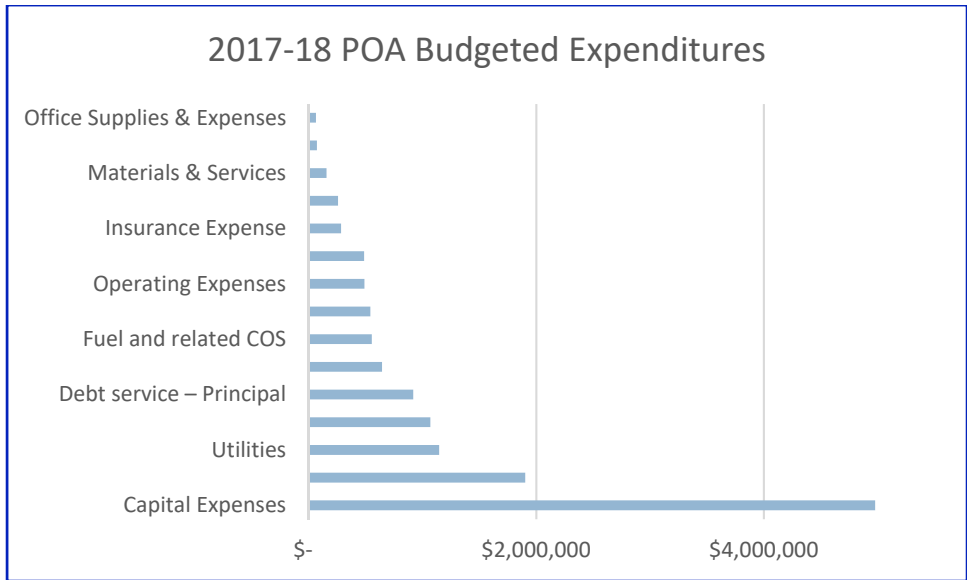
## BUDGET OVERVIEW

The general fund departments for 2017-18 remain the same as they were in 2016-17, with the exception of the Skipanon property – eliminated due to the termination of the DSL lease. Additionally, the Port of Astoria maintains a special revenue fund and a reserve fund.

Within the Port of Astoria’s general fund, six departments have been established to track revenues and expenses related to the Port’s operations and activities. These departments include the Astoria/Warrenton Regional Airport, Waterfront West (Piers 1, 2, 3 including the Boatyard, and properties west of Portway Street), Waterfront East (East/West Basins and properties east of Portway Street), Tongue Point, Administration, and Security.

The proposed budget for 2017-18 anticipates total resources and expenditures of \$13.6 million. Grant revenue will be a major source of income for the upcoming year. Grant sources include FAA grants related to various projects at the airport, FEMA funds, and the ODOT Connect Oregon grant.






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## STAFFING

We should be very proud of the staff, who have committed their significant skills to help the Port deal with complicated and difficult problems. It is important to note that the current staff (particularly the

management team) are the inheritors of the challenges that we face today. As the Executive Director, I appreciate very much our staff's commitment and determination to help us deal with these issues. The budget for the 2017-18 fiscal year includes budgeted FTEs of 33.8. This is a 1.07 FTE reduction in administrative staff from the prior year budget. This will allow the Port to actually reduce budgeted salaries & wages from \$1.907 million in 2016-17 to \$1.903 million in 2017-18 and reduces employee benefits from \$1.081 million in 2016-17 to \$1.070 million in 2017-18, despite rising wage and benefit rates. It is important to note Moss Adams' audit findings continue to show that the Port of Astoria's payroll expenses are well below those of similar-sized ports. Port staff will continue to carefully manage these costs while keeping in mind our need to attract and retain highly qualified personnel.

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The following is a summary of the key challenges the Port must address in the coming fiscal year. These challenges are not listed by relative priority. Each one of these priorities, as well as all of them collectively, can have a significant impact on Port's resources:

### ENVIRONMENTAL ISSUES

**AOC-4:** Significant progress has occurred during the 2016-17 fy with the Port and the "Potential Responsible Parties" (PRPs) and the Department of Environmental Quality (DEQ). This 16-year-old process is nearing conclusion and we will soon be shifting resources towards the implementation of a permanent containment strategy. During this fiscal year, we will have a clear understanding what that solution is and how we will implement it.

**Central Waterfront Stormwater Treatment:** Our new treatment facility is nearing completion; were it not for record-breaking storms and rainfalls it would currently be operational. The bio-swale berms were essentially destroyed in the winter storms of 2016-17 and must be re-built. Another upcoming challenge is to work closely with our tenants - who share concurrent responsibility with the Port to treat individual properties' storm water - and to cooperatively come to satisfactory cost sharing methodologies to help pay for the construction and ongoing system management costs.

### TONGUE POINT

**Acquisition:** During the last fiscal year, the Commission has authorized staff to begin a process to potentially purchase the property we currently lease at Tongue Point. We must, as an organization, take another very hard look at determining the best course of action:

- On average over the last 5 years, the Port has experienced a financial loss of \$260,000 per year. Our best year was 2015-16 in which we lost \$210,000.
- The sewage infrastructure is showing signs of failure. Our neighbor JOB CORPS, through the U.S. Dept. of Labor, has determined that they need to replace their portion of the sewage conveyance system and requests that everyone upstream from them rapidly address their individual needs.
- An environmental assessment of all existing conditions of the leased area will need to be accomplished. We must be fully informed of the totality of our risk exposure.
- When the Port's Tongue Point lease was executed, the Commission believed that it was feasible to relocate the existing Alaska Fishing Fleet from Seattle to Tongue Point; in fact, this was the primary motivating factor for the lease. Obviously this has not happened; further, there is no clear indication that it will. We do have existing tenants that believe it may still be possible. Our challenge will be to assess the feasibility of gaining significant new business from

the Pacific North West Fishing Fleet and to determine what resources, equipment and facilities would be required to accomplish this as well as to ascertain the revenues we might expect to receive.

- Multiple entities over the years have proposed strategies to develop Tongue Point into a deep-water shipping terminal. But this will require the investment of millions of dollars and so far, no viable entity has stepped up. Investing millions of dollars to recruit potential customers for a deep-water port is not feasible considering our current financial capabilities.

## AIRPORT

- We continue to have significant challenges maintaining our Airport facilities. This coming year we must make modest investments in ground maintenance equipment to maintain safe operations.
- We will be working with Life Flight to pursue strategies to develop flight operation facilities. Due to the outcome of the failed bond measure, this will be a significant challenge.
- We must carefully manage our various grant matching requirements to some extent this year – but to a much larger extent during the 2018-19 fiscal year.

## West Mooring Basin

The West Marina Basin has not been dredged in many years and sediment accumulation is now threatening dock infrastructure. At the end of 2016, the Port tasked Advanced Remediation Technologies to characterize the accumulated sediments to ascertain if uplands disposal was necessary. The results of this characterization were favorable and determined that flow-lane disposal of the sediments acceptable. This disposal method is much less expensive and will save the Port hundreds of thousands of dollars.

Recent bathymetry indicates that the Port will need to remove approximately 60,000 cubic yards of material. Initial responses indicate that it will cost roughly \$10.00 - \$12.00 per cubic yard to remove the sediments with a total cost of \$600,000 to \$720,000. The Port cannot allocate these resources during one fiscal year and is therefore planning on dredging the Marina over the course of 2-3 years. For FY 2017-18, the Port has allocated \$250,000 to dredge the north end of the West Marina Basin to ensure that dock infrastructure is not damaged further. A Request for Proposals and associated dredging permits are nearing completion and will be published soon.

The 8-inch dock piles at the West Basin Marina's construction are undersized and beginning to fail. Twenty-five piles have been identified as needing immediate replacement to safeguard dock infrastructure and ensure lateral stability. 12-inch replacement piles are a more sensible investment and will facilitate a longer-term solution.

- This coming year, at long last, we will be dredging our West End Marina. However, due to budgetary constraints, we will only be able to dredge approximately 50% of what is needed. In FY 2018-19 we will complete the remainder of the marina.
- Additionally, we will be implementing repairs to our docks, repairing the bathrooms and general maintenance.
- The coming year we will be bringing proposals for the potential redevelopment of the area between the Astoria-Megler Bridge and Bornstein Seafoods. These proposals will include the

lease and re-development of our Chinook Building, the former Seafarer Restaurant Building and the Riverwalk Inn.

- We are enthusiastic about recent developments at Bornstein Seafoods and their plans to expand their facilities in the development of a new “Seafood Factory”.
- One of our most significant challenges regarding these new development opportunities in our West Marina neighborhood that we will face, will be managing parking and traffic flow.

#### EAST MOORING BASIN

- Installation of Sea Lion barriers, in cooperation with Knappa High School will continue. We have looked at alternate solutions for keeping Sea Lions off our docks, however the financial cost of implementing solutions is beyond our current capacity. We will continue to work with NOAA and ODFW to seek grant funding and/or other solutions for managing this very difficult problem.
- We will be expending resources towards maintaining our parking areas.
- This coming year we will begin exploring other development opportunities at the East Mooring Basin which will include expansion of moorage and dock facilities; reacquisition of the former OSU Seafood Lab facilities and property and the evaluation of the highest and best use of East Mooring Basin properties.

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#### CONCLUSION

I’m very appreciative of the hard work that the Port staff has put into developing this budget. Special recognition goes to Will Isom for managing this process and the hard work that Matt McGrath has provided in accumulating vast amounts of research and data collection, which is the backbone of this budget.

It can be disheartening and frustrating to fully realize the Port’s real needs toward making the Port a better place and to realize that there simply are not enough resources to make those improvements. Prioritizing where our resources should be placed is complicated work and subject to many opinions, including the opinions of the Budget Committee, the Commission, our tenants, our stakeholders, community partners, and finally our staff. It is only through cooperative and collaborative efforts that we will be able to do our best to prepare a budget that will address our most important needs. It is our true desire to be good stewards of the Port’s assets and obligations. We will not be able to solve all the Port’s problems with this budget. Most of these problems have existed for many years and in some instances, for many decades. This budget reflects what we can do now. We will strive to continue to improve our ability to address the Port’s most pressing problems in the coming years.

The year ahead will bring us into closer relationships with our Community Partners and Stakeholders as we develop and implement a new Strategic Plan. Our participation in the planning process of the City of Astoria’s “Astoria Forward”, a five-year Economic Development Strategy, is an example of how successful relationships can be developed to tackle complex issues. I am encouraged with the possibilities of new developments at our West and East Mooring Basins. I look forward to working closer with our tenants as we tackle difficult problems such as storm water management, traffic control and parking issues. Additionally, the Port will play an important role in helping many of our existing tenants improve and expand their facilities. I’m very happy to see renewed interest at Bornstein Seafoods and their plans for the Seafood Factory. I look forward to seeing the new development of the West Mooring Basin properties such as the Chinook and Seafarer Buildings as well as the Riverwalk Inn. These are all good indications of our tenants, community partners, stakeholders and citizen’s

confidence in our organization's ability to properly manage our resources, address our most pressing needs and guide the Port of Astoria towards a much better future.

It has been my sincere privilege to have the honor of serving the Port of Astoria and our Community as the Executive Director. I truly appreciate the opportunity. I wish us the very best for the coming fiscal year.

Sincerely,

Jim Knight

Executive Director