

# PORT OF ASTORIA

## BUDGET COMMITTEE MEETING JUNE 10, 2010

### I. CALL TO ORDER/ ROLL CALL

Committee Chair John Lansing called the Budget Committee Meeting to order at 6:00pm.

Persons present were:

Budget Committee Members: Chris Connaway, Bill Harris, John Lansing and Richard Lee, Bill Hunsinger, Floyd Holcom, Larry Pfund, Jack Bland.

Staff: Jack Crider, Executive Director; Colleen Browne, Finance Manager/ Budget Officer.

### II. BUDGET MESSAGE

Colleen Browne distributed the Budget Message which included five primary goals:

- 1) To continue to serve existing tenants, customers and the general public by improving Port facilities and infrastructure;
- 2) Improved utilization of Port assets at the Central Waterfront Properties and Tongue Point to increase opportunities and operating revenues;
- 3) Lower contracted service costs with the addition of Port administration and maintenance staff;
- 4) Continue to improve cost center accounting to ensure productivity of the Port's assets;
- 5) Improve the organizational structure and professionalism through strategic planning and policy setting.

### III. PRESENTATION OF PROPOSED BUDGET FOR FY 2010-2011

Colleen Browne opted to start the presentation with a review of the Capital Projects section of the Budget, so everyone would be familiar with them as the budget is reviewed. Jack summarized the projects, with the larger projects being as follows:

PIERS:

Log Operation Improvements to Piers 1 & 3	\$100,000
Newer forklift – not brand new but good condition	\$ 75,000
P1 Electrical– this was on list last year – this will complete the project	\$ 18,000
P2 West repairs - removing asphalt	\$ 70,000

P2 Eastside deck– Connect II \$ paid for about 600 feet, 400 ft to go	\$ 75,000
P3 barge dock – Connect III funds, Port has a good chance at winning \$ 1.2MM for sheet metal & tie backs. Also possible funds thru Tiger grant	\$1,200,000
Upland Disposal	\$ 50,000

AIRPORT:

T-hangers – also on last year’s budget – will be done Aug/Sept	\$400,000
Rotational Beacon	\$ 60,000
Bar Pilot Building Remodel – the bar pilots are doing the work themselves and Port will repay with lease credits. John Lansing asked about Port liability and was assured we are covered	\$ 16,500
Hydrants – Floyd asked why this wasn’t covered under Homeland Security and Jack stated it wasn’t eligible for some reason	\$ 30,000
Connect III Lower IFR Minimums – a \$4MM project - Port budget only reflects the \$1.2MM FAA portion. If Connect II comes through, Port will have to do a supplemental budget	\$1,100,000

PROPERTIES:

P1 Bldg – ready rooms for new tenants	\$100,000
OSU Building - a place-holder in case Port goes ahead with purchase	\$442,000

MARINA:

T-dock – was on last year’s budget. Port will try for grant this year.	\$100,000
Fish Cleaning Station at East Basin John Lansing asked for details. Jack explained it was a vessel conversion with a tank to grind the fish guts and dump in the river. The Port has a permit to do the dumping.	\$120,000
Wireless internet at the West Basin - There’s an opportunity now that the Red Lion is closing. It will be mainly for marina tenants. Customers will pay for an access code	\$ 3,000
Causeway repairs – second phase	\$200,000

BOATYARD:

Boatyard electrical	\$ 70,000
P3 Expansion costs	\$100,000

SECURITY:

Security Requirements - 34 additional cameras on the Central Waterfront and electronic gates at NTP	\$225,000
---	-----------

ADMIN:

Relocation to P1 Bldg	\$ 25,000
100 Year Kiosk – time capsule, barbeque, seating	\$ 20,000

Seaside Flood study – this was already paid in current year,  
but left in as a place holder – maybe for Cannon Beach \$ 2,000

TONGUE POINT:

Ice House repairs. Larry said that it could be a real money maker.

John asked about capacity. Huge production capacity, but not a large holding  
capacity. \$ 20,000

Jack summed up by saying that we tried to stay more realistic this year rather than putting everything, however infeasible, into the budget. He stated that if more projects are realized, we can always do a supplemental budget. Chris said he saw no mention of any railroad project. Jack replied that he didn't think there was any chance of that this fiscal year. The Port needs to have a viable customer to say that they would use the rail before any progress can be made in that direction.

There was discussion about doing a better job of promoting the Port's properties and wondering if there was sufficient Money in the advertising budget. Colleen explained there was over \$20,000 spread among the various cost centers and it could be moved between the departments with no problem.

Bill Hunsinger asked about a budget line item for diverting sediment with a pile or log dike or sheet piling. Jack said modeling and engineering would need to be done and there is a large amount in professional services that could start to cover those costs. Jack also mentioned that the Corps has given an indication that there is an additional 1MM yards in the lower river that they could have some funding for. John Lansing suggested adding it as a budget item to evaluate next meeting. Approximate cost for engineering and construction \$3MM.

With the members now familiar with the capital projects, the presentation continued with a review of the departments within the General Fund. Colleen explained how she arrived at the proposed amounts by using the actual figures at 4/30/10 and extrapolating through fiscal year end.

ADMIN:

Colleen explained most of the revenue for admin comes from tax revenues. Chris asked about the Port's mil rate, which Colleen replied is .1256 for the Port. Floyd questioned the \$18K on line 98 for Other Income for current year vs. only \$5K projected for next year. This was the result of a lawsuit settlement, a one-time event. There was also a question regarding \$65K in grants for current year vs. zero for next year. The \$65K was the grant for the Strategic Business Plan, which was completed and fully drawn down in the current year.

In Admin Labor, Colleen explained the positions covered by the proposed amount of \$348,207. It includes the new deputy director position, which was also included in this year's budget total of \$456,240. However, the position wasn't filled and so it's

on again. And the Property Manager position is now under Properties instead of Admin, so that results in the projection being lower than in 2009-2010.

There was discussion regarding the pension admin (line 63) amount being too low based on current year actual. It was decided to increase that total to \$65K.

The members discussed the components of line 263, Other Professional Fees.

Questioned why the Utilities were dropping to only \$20K from a projected actual of \$63K this year. Colleen explained the \$63K was due to corrected billings from the City of Astoria for prior year in excess of \$25K. She confirmed that the \$20K is a more accurate figure.

Regarding line 274 – Admin Advertising, a member questioned why the projection is only half of current year. Colleen explained it was due to expenses related to the 100 year celebration. Larry asked about Lobbyist amount on line 264, Jack explained it was included as a place-holder until Port decides whether or not it was a worthwhile expenditure. Floyd thought there should be more funds budgeted for a trip to Korea. Jack said he feels the \$66.5K in Travel and Meetings is sufficient to cover any trips of shows.

Floyd asked about line 360, interest on the line of credit. He wanted to know if we feel the line amount is sufficient. Jack and Colleen agreed the line amount was fine. If Port needs equipment financing, Colleen said Wells is anxious to loan for that.

#### AIRPORT:

Question regarding Line 109 – grants for airport of \$1.2MM. Member wanted to know if that was a realistic number. Colleen replied that \$1.1MM of that is pretty much guaranteed from the FAA, so yes.

Colleen also pointed out the hangar rent increases were built into the lease income line and also rents for the new hangars.

Floyd pointed out that we are paying out more in principal and interest on the Lektro loans than we receive in lease income from them. He stated the community should be made more aware of information like that when they want to know what the Port is doing for the community.

Under expenditures, Floyd asked why the workers comp total was going from zero to \$2,700. Colleen explained that the zero amount was due to coding errors that would need to be corrected by year end and that the \$2,700 was realistic.

#### BOATYARD:

Colleen explained that she stayed conservative with the storage and haulout amounts due to the log operation activity that might affect the area. She also stated however that Ken Smith felt the storage rates could be increased because the Port is currently very under market. There was discussion about increased rates causing a loss of the customer base. Jack assured members there would be a thorough analysis before any increases were put into effect.

With respect to the Boatyard expenditures, Colleen explained that the labor increase is due to the fact that the boatyard/ marina crew is going to be raised up to the same hourly rates as the maintenance crew. Jack stated it has been a bone of contention for a long time. Bill Hunsinger asked if the boatyard is profitable. Jack stated the projection shows a loss of about \$37K next year, but Colleen pointed out that it is growing each year and that the Port has already used all of the 100 new stands bought the prior year.

Colleen also explained the \$20K jump under Other Professional fees as consultant fees for permitting the P3 barge dock.

#### MARINA:

Colleen explained the increase under grants, line 108, as grants for a fish cleaning station, T dock electrical and east causeway repairs.

Floyd was concerned that the Marina was not making money. Jack explained that the Port makes money in operations, but the debt service causes the negative.

Chris asked why postage went from zero to \$750. Colleen explained that the marina's postage has never been allocated to them, and has always been included under Admin. This year she plans to correctly allocate these expenses and others that are clearly identifiable. He also asked about the decrease in rent. Colleen said that since we will be the new owners of the building, we will no longer have that rent expense.

Another question was regarding line 258, which increased from \$637 to \$31K. The increase was due to allocating funds for dredge sampling at the marina.

Re: line 306, Floyd questioned the \$5,000 for trade shows. Colleen explained she allocated EXPO costs between marina and piers.

#### PIERS:

Colleen started by explaining how she reached her projection for Longshore Labor using crews for both cruise ships and log ships. She explained that it could be too low, but it was a best guess based on cruise ship stats. The consensus was to leave it as is and return to it at the next meeting.

Bill Harris had a question regarding how the rebilled expenses worked and Colleen gave the example of ordering water and dumpsters for the cruise ships and then billing them for the costs plus a markup.

The next question was regarding the increase in dockage from \$191K to \$1.1MM. It was primarily due to the monthly log ships at \$120K per month.

Under expenditures, Colleen pointed out an error on line 86. The DSL land rent should be \$38,000. Also, line 264 showing Environmental Fines should be zero

instead of \$50K, since we just wired the funds this week. Jack pointed out that was the final payment and the Port is now off the hook to the Feds.

A member also asked for clarification on line 363. It was explained that this is the DEQ MAO payment. The fine of \$45K is payable monthly over a 3 year period.

#### PROPERTIES:

Chris Connaway asked if the amount on line 115 was for the purchase of the OSU building. Years ago the Port sold the building to them for \$16K; it is now appraised at the \$442K. The issue is having control of that piece of property again and connecting the Port's parcels.

Colleen explained that the additional \$500K under lease income included \$135K for the ground lease for the log operations, \$135K for current P1 building tenants, \$30K for new P1 tenants and \$163K for the P3 ground lease.

Bill Harris asked about \$180K under Other Income on line 94. That is for an opt out for the Red Lion at \$5K per month for 36 months. Jack said that was what we expect if they plan to walk away from the lease. The amount could change based on the actual settlement, if any.

Floyd pointed out that the jump in revenues from \$749K actual in 2007-2008 to \$2,844,750 budgeted for 2010-2011 is an amazing achievement if it comes to pass.

Under expenditures, Colleen pointed out that the Property Manager is now listed here rather than under Admin. Also, insurance, utilities, maintenance and supplies all increased due to the P1 building and the logging operations.

Bill Hunsinger asked about line 364, interest on the Pier 1 Bldg and the OSU bldg. Jack said the interest rate on the P1 bldg is 7%. Jack said eventually he would like to cover the purchase with a revenue bond, but at the current time no one was willing to touch it. Now there will be a clean title and hopefully additional tenants.

Floyd asked about line 371. Colleen said that the principal was increasing as we paid it down, with less going toward the interest. Regarding line 382, the large increase is the result of renegotiating the Bornstein loan.

Jack Crider reminded Colleen to add \$24K in income for the Bornstein ground lease, which goes into effect next year.

#### SECURITY

Floyd brought up the issue that the Port used to contract out Port Security with the City of Astoria. He asked if the Port having its own security department was worth the expense. Jack said he felt it was worth it for the times when issues came up that a patrol officer could handle without involving the City.

Bill Hunsinger asked why the Port hires so many temporary workers instead of having a regular security staff.

Colleen pointed out that line 262 includes 10K for a security consultant.

#### TONGUE POINT

Colleen passed out a revised copy of the Tongue Point section. Changes had to be made to account for the property taxes, not included in the initial draft. Rebilled utilities were increased, dockage increased to \$200K for the barge, new fish processors and \$125K for clients in discussion with Port.

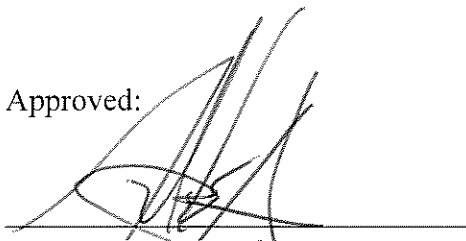
Line 206, Tongue Point rent increases to \$200K in November, accounting for the \$100K increase over prior year.

Bill H. asked if Jack planned on having a full-time Port presence out at Tongue Point in the future. Jack said it will eventually be necessary.

John Lansing asked what had been accomplished and what was on the schedule for next week. Colleen replied that all of the General Fund departments had been covered and that next week we would cover the Special Revenue Fund and the Bond Redemption fund, make any necessary changes and vote on whether to approve.

The meeting was recessed at 9:45pm to reconvene on June 17<sup>th</sup>, 2010.

Approved:



President.

Attest:

