

**Minutes of April 29, 2013 Port of Hood River Commission
Spring Planning Work Session*
Marina Center Boardroom 12:00 Noon**

THESE MINUTES ARE NOT OFFICIAL, as they have not been approved by the Port Commission.

Present: Commissioners Jon Davies, Fred Duckwall, Rich McBride, Brian Shortt, and Hoby Streich; Budget Committee members John Benton, John Everitt, Jeff Nicol, and Rich Truax; Attorney Isa Anne Taylor and Jerry Jaques; from staff, Michael McElwee, Fred Kowell, Steve Burdick, Mellissa Halseth, Liz Whitmore, and Laurie Borton

Absent: Budget Committee member Larry Brown

Media: None

President Jon Davies called the spring planning work session to order at 12:10 p.m.

1. **Overview:** President Davies thanked the Commissioners, Budget Committee members, and staff for their attendance and participation in this year's spring planning work session. Davies noted the 10-year financial model would be the basis for the meeting and discussions would direct staff in preparation of next Tuesday's Budget Committee meeting. Davies said he would keep a record of topics resulting from today's meeting for future discussions and he would welcome suggestions from all. Davies also reminded Budget Committee members to be thinking about the election of a Chair and Secretary for the May 7 meeting; he also reviewed some housekeeping items and then turned the meeting over to Executive Director Michael McElwee.

2. **FY 2013/2014 Key Issues:** When considering the 2013/2014 budget, McElwee highlighted the following key issues:

Administration-- increased staffing levels will remain in place to handle customer service needs related to bridge electronic tolling volume, backlog of filing, and special projects. Consultant services will increase for the next several years due to project planning workload; and a significant upgrade of the financial software platform is needed.

Operations-- an updated Strategic Business Plan has been targeted for completion in October which will allow the Port to be eligible for state funding; three significant capital projects will continue into FY 2013 (airport runway shift, marina electrical upgrade, and boathouse dock replacement); and Lot 1 development planning, permitting and financing tasks will continue.

Facilities-- With most buildings close to 100% occupancy, the strategic sale of some properties may need to be considered. The City of Hood River's sewer outfall project in 2014 may lend some opportunities to the Port (and potential partnerships with recreation associations) for Hook enhancements. Also in 2014 the Expo Building will likely be empty and re-development or re-leasing will be a consideration. No major capital projects for 2-3 years are expected for the Bridge, but there will be a near term emphasis on inspections, ongoing maintenance and deck weld repairs. Consideration for a long-term plan for the visitor dock in the Marina Basin will also begin this next fiscal year.

3. **Financial Overview:** Fred Kowell, Finance Manager, offered a projection of where the Port should land with respect to revenues, operating expenses, capital spending and other sources of funding and uses of resources. By the end of FY 2012-2013 Kowell stated the Port would likely spend its reserves down by \$536,000 leaving a balance of around \$2.7 million. With the bond covenant debt service of \$700,000 Kowell said the Port would have approximately \$2 million in unassigned reserves. Kowell noted that not moving forward with capital improvements at the Expo Center (\$3.5 million) or Marina Park (\$400,000) were two key decisions that affected financial performance this year as well as a

Marina Park trail grant that did not occur. Instead the Port focused on the bridge painting project, airport runway shift, and Halyard Building tenant improvements. The Port also negotiated with the Urban Renewal Agency for a shortened payback period on loans provided to the URA by moving forward with \$225,000 for angled parking along Portway Avenue at the Waterfront Park. Kowell finished by mentioning a budget resolution would be discussed later during the regular session meeting that would realign the budget with regard to major cost objects, in the categories of Personnel Services, Materials and Services, and Capital Outlay, by moving from one cost object to another. Kowell then responded to questions from the Commissioners and Budget Committee.

4. **10-Year Financial Model:** McElwee and Kowell lead the discussions on specific pages from the financial model, as follows:

Agency-Wide Statistics-- the premise is that assumptions drive revenues and that if a value is negative the income is not large enough to meet the outlay and reserves are dipped into. Information on wages was based on an average of the Bureau of Labor Statistics for the area.

Base Assumptions-- this page addressed expense differentials, bridge traffic, and growth in average payroll per FTE (full time employees). Actuals will begin to replace assumptions as the model goes forward. Kowell noted that the percentage of bridge customers using cash, ticket and electronic tolling would likely change as the Port rolls out the web portal for payment options.

General Fund, Administration and Maintenance-- as a result of discussions, it was noted that two figures for the years 14/15 under unallocated maintenance-capital outlay needed to be shown as negative values

President Davies recessed the work session for a 5-minute break at 1.20 p.m. The meeting was called back to order at 1:25 p.m. to resume discussions on the 10-Year Financial Model.

Capital Projects/Grants, Loan Repayments, Third Party Funds-- McElwee recognized Development Manager Steve Burdick for his work in evaluating Port properties to identify improvement projects. It was noted that values on the Capital Projects pages were color coded to correlate to funds associated with grants, loans and repayments such as tenant-paid improvements or Urban Renewal loans. There was discussion on Lot 1 and whether a more aggressive timeline should be considered for the phased engineering and development. The retention/sale of properties not associated with citizen referendums was briefly discussed and Kowell cautioned that a sale should be tied to an acquisition. It was noted that the visitor dock rehabilitation placeholder of \$650,000 in 2018 would be funded in part by a matching 50% grant from the Oregon State Marine Board. Another recreation note was the opportunity that may be presented for the Port (and partner with CGWA and/or CGKA) to piggyback onto the City's sewer line outfall project for improvements to the Hook.

Debt Service Schedule-- Kowell said once the 2003 bond is repaid in 2019 he would anticipate future debt service at the same level for continued improvements to the bridge.

Land Sales-- It was noted that values for sales, which aren't anticipated, were assumptions only.

Rent Capacity Utilization-- An assumption for a less than 5% vacancy was made. There was discussion to revisit numbers on Gorge Innoventure and Expo occupancies.

President Davies recessed the work session for a 5-minute break at 3:10 p.m. The meeting was called back to order at 3:15 p.m. to resume discussions on the agenda topic Policy/Strategy Areas.

5. Policy/Strategy Areas:

- Waterfront Narratives—Liz Whitmore, Waterfront Coordinator, reviewed draft narratives for recreation sites on the Hood River Waterfront. Whitmore has prepared a more detailed analysis of existing uses and future potential that will assist in policy, regulatory and capital investment decisions. McElwee mentioned the final assessment would become part of the Port's Strategic Plan. Whitmore responded to questions from the Commission, and commented the narratives would also be reviewed by the Waterfront Recreation Committee. Budget Committee members were queried about budget allocations for waterfront recreation. Rich Truax responded favorably with the tourism relationship. John Benton said he questioned the 7x multiplier that is touted by some people as well as the Port's return on investment. Benton did go on to say that it was the dirt that brought his family to the area for farming, and now it's the wind that brings people and economic development to the Gorge. Jeff Nicol commented that reviewing the recreation by areas aids in the discussion should cuts need to be made.
- Financial Policies-- Kowell spoke about the Port's informal "10% Rule" of maintaining a \$2 million reserve as an easy rule of thumb to follow. He commented a reserve based on this rule does not provide the level of funding necessary to replace an asset like the bridge but it does provide enough liquidity in difficult times and flexibility for decisions when an opportunity presents itself. He requested the Board consider the annual debt service be added to the 10% of net depreciable assets; that the reserve can be used for extraordinary circumstances that would generate positive goodwill in the community, but also must provide cashflow back to the level before such a withdrawal is made; and consider a three-year payback time frame. Kowell said the Port is in good standing by maintaining a debt coverage ratio of 2.0; this allows an organization to go to the bond market and obtain financing and the ratio of 2.0 also provides guidance to an organization in determining the level of debt service it should take on. The Return on Investment was summarized as the return on an asset or group of assets and provides a gauge in the decision-making process in moving forward with an acquisition or capital improvement. A question was asked how the transparency on reserves is protected when future administration, Commissioners, and Budget Committee members are serving the Port; the response was to imbed financial policies in the Strategic Business Plan.
- Federal/State Lobbying Efforts-- McElwee commented that he did not foresee any change and that spending levels would remain the same, with Ball Janik lobbyist Hal Hiemstra assisting the Port on the federal level issues and Michelle Giguere assisting on the state issues.
- Strategic Plan-- McElwee reviewed a "family of documents" that govern our Strategic Plan; governance, personnel, policies, and ordinances for example. A draft outline of the Plan provided a view of work that has been substantially completed and other elements where substantial work remains. McElwee noted several Commission work sessions and community meetings would be held before the Plan is finalized, which will be tied to an Intergovernmental Agreement with Oregon Business Development Department (OBDD) in order to be eligible for state funding. McElwee has set a target date of mid-November for Board approval of the Plan.

President Davies adjourned the work session at 4:10 p.m. The Regular Meeting of the Port Commission immediately followed after a short recess.

Respectfully Submitted:

Laurie Borton

ATTEST:

Jon Davies, President, Port Commission

Hoby Streich, Secretary, Port Commission

*This meeting was not recorded.

Suggested Future Discussion Items

1. Bridge - develop a more systematic approach regarding toll increases; should a wider pricing differential be considered in cash and electronic tolling?
2. Maritime Building Roof – patch vs. new roof to dovetail with lease schedules?
3. Lot 1 – continue discussions on sequencing of phased development. More aggressive? Management team to set tempo? Get current assets in as good of condition as possible (Expo Building, for example) before going into extensive work on Lot 1? Selling one asset should be tied to the purchase of another.
4. Airport - determine timing for new aerial photo.
5. Marina Basin - hold separate work session on its purpose; i.e. what is its identify/contribution (may evolve from Marina Ad Hoc Committee meetings).
6. Hook - dust abatement needs to be considered when the City's sewer line project is underway
7. Event Site Restroom – providing additional capacity has been deemed a priority; however, is building onto the existing structure the correct spot? Should a second location be identified instead?
8. Jensen Note - review repayment options.
9. Recreation Survey - work with the Chamber to conduct a summer survey of recreational users as an adjunct to the Waterfront narratives assessment.
10. Financial Policies – reserves 'rule,' use of straight line depreciation, debt coverage ratio, ROI. Others?

Suggested Modifications to Financial Model

1. Waterfront-- break out maintenance vs. program costs
2. Waterfront-- fix formula 'bust' (page only Jon had)
3. Waterfront-- Marina restroom upgrades not in model

4. Waterfront-- Marina Beach restroom \$3,000 placeholder of material cost for grinder pump install and backup repair should be bumped up to \$10,000-15,000
5. Spit-- \$4,000 path widening project
6. Airport-- Runway shift Change Order #3 (weather dependent) for \$17,500
7. Halyard Building-- Halyard TI, amount of work as yet undetermined
8. URA-- Loan of \$225,000 incurred for angled street parking at Waterfront Park on Portway Avenue
9. PERS/Health Care-- include a separate 10-year forecast
10. Maritime Building--
11. General Fund, A&M (Page 3)-- Capital Outlay for 2014 and 2015 should be reflected as negative values
12. Lot 1-- Fix bust on values (Page 4 to Page 6)
13. Run ROI on Jensen breezeway units to see potential for remodel for seasonal use as a farmers' market
14. Airport (Page 5)-- realign jet fuel tank to coincide with north apron/FBO relocation
15. Marina (Page 5)-- move \$450,000 placeholder to 2016 from 2017
16. Recreation (Page 6)-- increase from \$100,000 to \$150,000 in 2014 (restroom)
17. Recreation (Page 6)-- add a \$50,000 placeholder for launch upgrades for the Hook/Spit category (can this be a URA project?)
18. Recreation (Page 6)-- Combine the sewer line bike path entries into a single year. (Can this also be a URA project?)
19. Land Sales (Page 7)-- revisit pricing; however, there are no comparables
20. Rent Capacity (Page 9)-- kick up the number for Gorge Innoventure in two years; revisit Expo assumptions in 2014 and 2015